

# **Army Performance Improvement Criteria (APIC) 2003**



Office of Chief of Staff, Army  
Vice Director of the Army Staff  
Strategic Management and Innovations Division  
1725 Jefferson Davis Highway  
Crystal Square Two, Suite 1001  
Arlington, VA 22202

[www.hqda.army.mil/leadingchange/APIC](http://www.hqda.army.mil/leadingchange/APIC)

# Leading Change

“... there is an understandable temptation to ignore management reforms in favor of new policies and programs. However, what matters most is performance and results. In the long term, there are few items more urgent than ensuring that the federal government is well run and results-oriented. This Administration is dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used. We owe that to the American people.”

**President George W. Bush**

The President’s vision for government reform is guided by three principles. Government should be:

- Citizen-centered, not bureaucracy-centered;
- Results-oriented;
- Market-based, actively promoting rather than stifling innovation through competition.

In October 1999, the Secretary of the Army and the Chief of Staff articulated a vision to enable the Army to meet the challenges of the 21st century. To enable The Army to remain a force that is persuasive in peace and invincible in war requires deliberate change at a level unprecedented in recent times.

In August, 2001, Secretary of the Army Thomas White stated that he is “convinced the criteria [APIC] is a tool that will help us assess how we do business and identify opportunities for improvement. Today, I am encouraging the use of the Army’s Performance Improvement Criteria as a major Army leadership strategy to stimulate organizational learning, ensuring stewardship of the public trust.” The Chief of Staff of the Army, General Eric K. Shinseki, echoed those comments in a November 2001 speech where he stated, “if you’re not able to assess the results, your next decision is only as good or as bad as your last.” APIC provides leaders with an excellent tool to gauge organizational performance. Further, it enables leaders to examine all aspects of the organization and facilitates sharing of best practices to promote change and create avenues of excellence for organizational learning.

The 2003 APIC is based on the 2003 Baldrige Criteria for Performance Excellence, and is the strategic framework for leading change and assessing performance recommended by AR 5-1. For 14 years, the Baldrige Criteria have been used by thousands of U.S. organizations to stay abreast of ever-increasing competition and to improve performance. In today’s business environment, the Criteria helps organizations respond to the rapid pace of innovation, to focus on core competencies, and to the challenges of outsourcing and supply chain management. It is the basis for the top quality award programs in 44 States and over 60 nations. Whether your organization is small or large; tactical or non-tactical unit; combat, combat support, or combat service support unit; school or garrison command; or an element of a headquarters staff, the APIC provide a valuable framework that can help you plan for continuous performance improvement in an uncertain environment. It is quite simply, “Management by Asking (and answering) 101 Good Questions”. It includes actual examples from actual organizational self-assessments to assist in applying the Criteria to your organizations. These “real world” examples should be helpful to relating the criteria to your activity and to enable its use as an assessment tool.

We thank the Assistant Chief of Staff, Installation Management (ACSIM) and the instructors at the Laverne E. Weber Army National Guard Professional Education Center (PEC) for providing valuable assistance in the development of this handbook.

## **Strategic Management and Innovations Division**

Vice Director of the Army Staff  
Office of the Chief of Staff, Army

<http://www.hqda.army.mil/leadingchange>

# Contents

Section	Page
Leading Change	i
I. 2003 Core Values and Concepts	1
Criteria for Performance Excellence Framework	5
Key Characteristics of the Criteria	7
Changes from the 2002 Criteria	8
II. 2003 Army Performance Improvement Criteria - Item Listing	10
2003 Army Performance Improvement Criteria/Items/Point Values	
Preface: Organizational Profile	11
1 Leadership	14
2 Strategic Planning	18
3 Customer and Market Focus	23
4 Measurement, Analysis and Knowledge Management	27
5 Human Resource Focus	32
6 Process Management	38
7 Business Results	43
III. Glossary of Key Terms	49
IV. Preparing the Self-Assessment	56
V. Scoring System	60
Scoring Guidelines	62
V. Glossary of Key Terms	100

## 2003 CRITERIA: CORE VALUES, CONCEPTS, AND FRAMEWORK

### Criteria Purposes

The Criteria are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening U.S. competitiveness:

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of best practices information among U.S. organizations of all types
- to serve as a working tool for understanding and managing performance and for guiding organizational planning and opportunities for learning

### Criteria for Performance Excellence Goals

The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in

- delivery of ever-improving value to customers, contributing to marketplace success
- improvement of overall organizational effectiveness and capabilities
- organizational and personal learning

### Core Values and Concepts

The Criteria are built upon the following set of interrelated Core Values and Concepts:

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing employees and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- social responsibility
- focus on results and creating value
- systems perspective

These values and concepts, described below, are embedded beliefs and behaviors found in high-performing organizations. They are the foundation

for integrating key business requirements within a results-oriented framework that creates a basis for action and feedback.

#### Visionary Leadership

An organization's senior leaders should set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire workforce and should encourage all employees to contribute, to develop and learn, to be innovative, and to be creative. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, vision, actions, and performance of your organization and its senior leaders.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

#### Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, referral, retention and loyalty, and to business expansion. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

Value and satisfaction may be influenced by many factors throughout your customers' overall purchase, ownership, and service experiences. These factors include your organization's relationships with

customers, which help to build trust, confidence, and loyalty.

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, reducing defects and errors and eliminating causes of dissatisfaction contribute to your customers' view of your organization and thus also are important parts of customer-driven excellence. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible response to customer and market changes.

### **Organizational and Personal Learning**

Achieving the highest levels of business performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant change and to do better. Sources for learning include employees' ideas, research and development (R&D), customers' input, best practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its societal responsibilities and its service to your community as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs and priorities. Education and training programs may benefit from advanced technologies, such as computer- and Internet based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with the organization, (2) organizational cross-functional learning, and (3) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, and efficient—giving your organization marketplace sustainability and performance advantages.

### **Valuing Employees and Partners**

An organization's success depends increasingly on the knowledge, skills, creativity, and motivation of its employees and partners.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) recognition that goes beyond the regular compensation system, (3) development and progression within your organization, (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives, and (5) creating an environment that encourages risk taking.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation, such as agreements with unions. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method for employee development.

### **Agility**

Success in globally competitive markets demands agility—a capacity for rapid change and flexibility. All aspects of e-commerce require and enable more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for the introduction of new/improved products and services, as well as for faster and more flexible response to customers. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid changeover from one process to another. Cross-trained and empowered employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product or service initiation) cycle time. To meet the demands of rapidly changing global markets, organizations need to carry out stage-to-stage integration (such as concurrent engineering) of activities from research or concept to commercialization.

All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

### **Focus on the Future**

In today's competitive environment, a focus on the future requires understanding the short- and longer-term factors that affect your business and marketplace. Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, employees, suppliers and partners, stockholders, the public, and your community. Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, the evolving e-commerce environment, new customer and market segments, evolving regulatory requirements, community and societal expectations, and strategic moves by competitors. Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing employees and suppliers, creating opportunities for innovation, and anticipating public responsibilities.

### **Managing for Innovation**

Innovation means making meaningful change to improve an organization's products, services, and processes and to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your business and all processes. Organizations should be led and managed so that innovation becomes part of the culture and is integrated into daily work.

### **Management by Fact**

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; and supplier, employee, and cost and financial performance.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision-making, and operational improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, change management, and comparing your performance with competitors' or with "best practices" benchmarks.

A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all processes with your organization's goals.* Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

### **Social Responsibility**

An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production processes and often the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as

opportunities for improvement "beyond mere compliance." Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body.

Practicing good citizenship refers to leadership and support—within the limits of an organization's resources—of publicly important purposes. Such purposes might include improving education and health care in your community, environmental excellence, resource conservation, community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization might lead or participate in efforts to help define the obligations of your industry to its communities. Managing social responsibility requires the use of appropriate measures and leadership responsibility for those measures.

### **Focus on Results and Creating Value**

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, suppliers and partners, the public, and the community. By creating value for your key stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy should explicitly include key stakeholder requirements. This will help ensure that actions and plans meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

### **Systems Perspective**

The Baldrige Criteria provide a systems perspective for managing your organization to achieve performance excellence. The Core Values and the seven Baldrige Categories form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds upon key business requirements, including your strategic

objectives and action plans. Alignment means using the key linkages among requirements given in the APIC Categories to ensure consistency of plans, processes, measures, and actions. Integration means the individual components of your performance management system operate in a fully interconnected manner.

These concepts are depicted in the APIC framework on page 6. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your business results. A systems perspective also includes using your measures and indicators to link your key strategies with your key processes and align your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.

## Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

- 1 Leadership**
- 2 Strategic Planning**
- 3 Customer and Market Focus**
- 4 Measurement, Analysis, and Knowledge Management**
- 5 Human Resource Focus**
- 6 Process Management**
- 7 Business Results**

The figure on page 6 provides the framework connecting and integrating the Categories.

From top to bottom, the framework has the following basic elements.

### Organizational Profile

Your Organizational Profile (top of figure) sets the context for the way your organization operates. Your environment, key working relationships, and strategic challenges serve as an overarching guide for your organizational performance management system.

### System Operations

The system operations are composed of the six APIC Categories in the center of the figure that define your operations and the results you can achieve.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. Your organization's employees and its key processes accomplish the work of the organization that yields your business results.

All actions point toward Business Results—a composite of customer, product and service, financial, and internal operational performance results, including human resource and social responsibility results.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). The two-headed arrow indicates the importance of feedback in an effective performance management system.

### System Foundation

Measurement, Analysis, and Knowledge Management (Category 4) are critical to the effective management of your organization and to a fact-based system for improving performance and competitiveness. Measurement, analysis, and knowledge serve as a foundation for the performance management system.

## Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address.

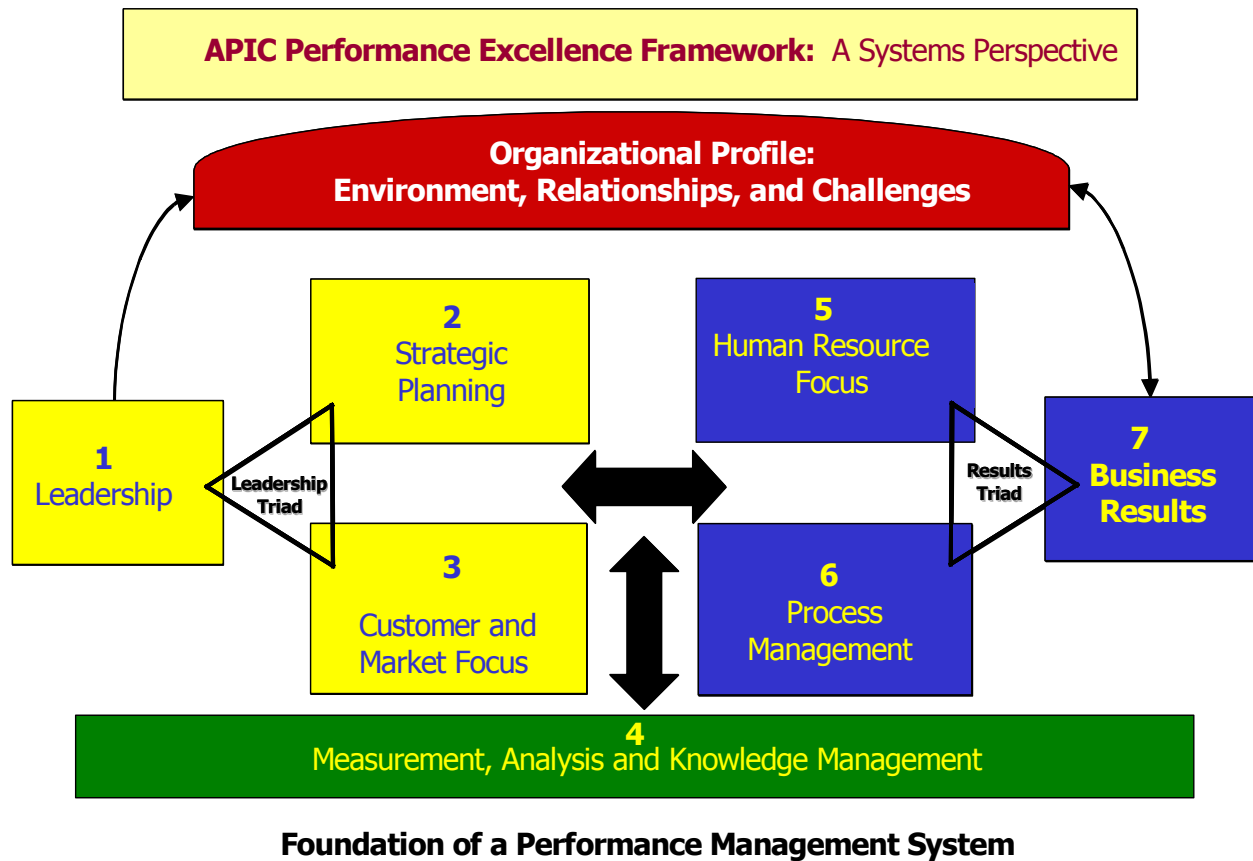


## Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 10. The Item format is shown on page 56.

Items consist of one or more Areas to Address (Areas). Organizations should address their responses to the specific requirements of these Areas.

## Areas to Address



## KEY CHARACTERISTICS OF THE CRITERIA

### 1. The Criteria focus on business results.

The Criteria focus on the key areas of organizational performance given below.

#### Organizational performance areas:

- (1) customer-focused results
- (2) product and service results
- (3) financial and market results
- (4) human resource results
- (5) organizational effectiveness results, including key internal operational performance measures
- (6) governance and social responsibility results

The use of this composite of indicators is intended to ensure that strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

### 2. The Criteria are non prescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe

- that your organization should or should not have departments for quality, planning, or other functions;
- how your organization should be structured; or
- that different units in your organization should be managed in the same way.

These factors differ among organizations, and they are likely to change as needs and strategies evolve.

The Criteria are non prescriptive for the following reasons:

- (1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting basic requirements. Non-prescriptive requirements are intended to foster incremental and major (“breakthrough”) improvements, as well as basic change.
- (2) The selection of tools, techniques, systems, and organizational structure usually depends on factors such as business type and size,

organizational relationships, your organization’s stage of development, and employee capabilities and responsibilities.

- (3) A focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

### 3. The Criteria support a systems perspective to maintaining organization-wide goal alignment.

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organizational Profile, the Criteria, and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization’s processes and strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision-making, or process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision-making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

- (1) planning, including design of processes, selection of measures, and deployment of requirements
- (2) execution of plans
- (3) assessment of progress and capturing new knowledge, taking into account internal and external results

- (4) revision of plans based upon assessment findings, learning, new inputs, and new requirements

#### 4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions—Approach, Deployment, and Results—and the key factors used to assess each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 basic requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in 1 above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

### Changes From the 2002 Criteria

The Criteria for Performance Excellence continue to evolve, to help business address a dynamic environment, to focus on strategy-driven performance, to consider the needs of all stakeholders, and to accommodate important changes in business needs and practices. The increasing importance of a focus on governance and ethics, the need to capitalize on knowledge assets, the need to create value for customers and the business, and the alignment of all aspects of your performance management system with your results measurements receive greater attention in the 2003 Criteria. In addition, the Criteria emphasize the roles of organizational and personal learning and motivation as key differentiators in high-performing organizations. The Criteria continue to emphasize the central role that customers play in defining and achieving performance excellence.

Criteria questions have been better aligned throughout the seven Categories and in the Organizational Profile. These changes have been made to improve APIC self-assessment and external assessment, the determination of organizational gaps and alignment in approach and deployment (Categories 1–6), and the determination of organizational gaps and strength of performance in results areas (Category 7).

Two underlying concepts framed the overall thought process that led to this year's Criteria changes. The first is the need to have a set of Criteria for "evidence-based management." The Criteria and the linkages among the Organizational Profile,

Approach-Deployment Items (Categories 1–6), and Results Items (Category 7) have been strengthened to better provide that framework. The second is the need to have a set of Criteria that focuses on the dual challenges of "running the business" and "changing the business," to pursue current and future business success, and to focus on opportunities for innovation.

The most significant changes in the Criteria and the Criteria booklet are summarized as follows:

- The number of Criteria Items has been increased from 18 to 19.
- The number of Areas to Address has been increased from 29 to 32.
- All Criteria language has been converted to question format. Questions have been simplified to aid in understanding. Related questions have been grouped under one number (e.g., 1.1a[1]) and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.
- Category 1, **Leadership**, now includes an increased focus on organizational governance and leadership's responsibility for your organization's legal and ethical behavior.
- Category 4, **Measurement, Analysis, and Knowledge Management**, has been given an expanded title and content to reflect the growing importance of capturing, protecting, and disseminating organizational knowledge.
- Category 6, **Process Management**, now addresses all key processes in two Items. These Items cover your organization's value creating processes (product, service, and business processes) and your support processes (supporting value creation and daily operations).
- Category 7, **Business Results**, now includes a separate Results Item on governance and social responsibility to encourage ongoing monitoring of these areas of importance.
- Five terms have been added to the Glossary of Key Terms: customer, governance, key, knowledge assets, and value creation. Whenever a key term appears in either the Criteria or Scoring Guidelines sections of this booklet, it now is presented in SMALL CAPS/SANS SERIF to indicate that more information on the term is available in the glossary.

There have been some changes in all Criteria Items; the most significant changes are highlighted and discussed below.

## Preface: Organizational Profile

- Item P.1, **Organizational Description**, now includes a description of your governance system and a description of the role of suppliers in your key organizational processes. These additions help set the context for your later Criteria Item responses.
- Item P.2, **Organizational Challenges**, now includes a request for available sources for comparative data to emphasize the need to develop these sources and to provide a context for your later description of how you select your sources of comparative data. A note has been added to Item P.2 that organizational approaches to process improvement might include six sigma and other performance improvement methodology.

## Category 1: Leadership

- Item 1.1, **Organizational Leadership**, has been modified to emphasize your senior leaders' and governing body's roles in creating an environment that fosters and requires legal and ethical behavior.
- Item 1.2, now **Social Responsibility**, has been modified to include your key processes and measures for monitoring ethical behavior throughout your organization.

## Category 2: Strategic Planning

- Item 2.2, **Strategy Deployment**, has an added focus on continuity. In particular, the Item addresses how you will sustain changes accomplished through your action plans.

## Category 3: Customer and Market Focus

- The language in this Category has an enhanced focus on customers, with the addition of specific references to building customer loyalty and exceeding customer expectations, as well as meeting their absolute requirements.

## Category 4: Measurement, Analysis, and Knowledge Management

- Item 4.1, **Measurement and Analysis of Organizational Performance**, in recognition of the continuously changing measurement and analysis needs of organizations, has an enhanced emphasis on addressing innovation and organizational and industry changes.

- Item 4.2, now **Information and Knowledge Management**, has a new Area to Address on the management of organizational knowledge, in recognition of its growing importance.

## Category 5: Human Resource Focus

- Item 5.1, **Work Systems**, now has three Areas to Address to focus attention on its three important aspects: Organization and Management of Work, Employee Performance Management System, and Hiring and Career Progression.
- Item 5.2, now **Employee Learning and Motivation**, has two Areas to Address, with an enhanced emphasis on employee motivation and career development.

## Category 6: Process Management

- Item 6.1, **Value Creation Processes**, is a new Item that replaces Items 6.1 (Product and Service Processes) and 6.2 (Business Processes) from the 2002 Criteria. This new Item addresses all the processes your organization considers important for creating value for the organization, your customers, and other key stakeholders. They are the processes most important to "running your business" and achieving a sustainable competitive advantage.
- Item 6.2, now **Support Processes**, was Item 6.3 in 2002. It asks you to identify and describe your key processes that support your value creation processes.

## Category 7: Business Results

- Item 7.2, **Product and Service Results**, is a new Results Item that replaces an Area to Address in Item 7.1 (Customer-Focused Results) of the 2002 Criteria. This Item was added to reflect the growing need for renewed focus in the areas of product and service quality.
- Item 7.6, **Governance and Social Responsibility Results**, is a new Results Item in 2003. This Item was added to reflect the need to build stakeholder trust in the governance of your organization and to ensure ethical behavior and legal compliance.

## 2003 ARMY PERFORMANCE IMPROVEMENT CRITERIA – ITEM LISTING

<b>P</b>	<b>Preface: Organizational Profile</b>	
	P.1 Organizational Description	
	P.2 Organizational Challenges	
	<b>Categories/Items</b>	<b>Point Values</b>
<b>1</b>	<b>Leadership</b>	<b>120</b>
	1.1 Organizational Leadership	70
	1.2 Social Responsibility	50
<b>2</b>	<b>Strategic Planning</b>	<b>85</b>
	2.1 Strategy Development	40
	2.2 Strategy Deployment	45
<b>3</b>	<b>Customer and Market Focus</b>	<b>85</b>
	3.1 Customer and Market Knowledge	40
	3.2 Customer Relationships and Satisfaction	45
<b>4</b>	<b>Measurement, Analysis, and Knowledge Management</b>	<b>90</b>
	4.1 Measurement and Analysis of Organizational Performance	45
	4.2 Information Management	45
<b>5</b>	<b>Human Resource Focus</b>	<b>85</b>
	5.1 Work Systems	35
	5.2 Employee Education and Motivation	25
	5.3 Employee Well-Being and Satisfaction	25
<b>6</b>	<b>Process Management</b>	<b>85</b>
	6.1 Value Creation Process	50
	6.2 Support Processes	35
<b>7</b>	<b>Business Results</b>	<b>450</b>
	7.1 Customer-Focused Results	75
	7.2 Product and Service Results	75
	7.3 Financial and Market Results	75
	7.4 Human Resource Results	75
	7.5 Organizational Effectiveness Results	75
	7.6 Governance and Social Responsibility Results	75
	<b>TOTAL POINTS</b>	<b>1000</b>

**Note:** The Scoring System and Guidelines used with the Criteria Items in an APIC assessment can be found on pages 60-62.

## 2003 ARMY PERFORMANCE IMPROVEMENT CRITERIA

### Importance of Beginning with Your Organizational Profile

*Your* Organizational Profile is critically important because

- it is the most appropriate starting point for self-assessment and for writing an application;
- it helps you identify potential gaps in KEY information and focus on KEY PERFORMANCE requirements and business RESULTS;
- it is used by the Examiners and Judges in application review, including the site visit, for Army-level award programs such as the Army Communities of Excellence Programs, to understand your organization and what you consider important; and
- it also may be used by itself for an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, it is possible that your assessment need go no further and you can use these topics for action planning.

### Preface: Organizational Profile

The **Organizational Profile** is a snapshot of your organization, the KEY influences on HOW you operate, and the KEY challenges you face.

### P.1 Organizational Description

**Describe your organization's business environment and your KEY relationships with customers, suppliers, and other partners.**

*Within your response, include answers to the following questions:*

#### **a. Organizational Environment**

- (1) What are your organization's main products and services? What are the delivery mechanisms used to provide your products and services to your CUSTOMERS?
- (2) What is your organizational culture? What are your stated PURPOSE, VISION, MISSION, and VALUES?
- (3) What is your employee profile? What are their educational levels? What are your organization's workforce and job diversity, organized bargaining units, use of contract employees, and special health and safety requirements?
- (4) What are your major technologies, equipment, and facilities?
- (5) What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; and environmental, financial, and product regulations.

#### **b. Organizational Relationships**

- (1) What is your organizational structure and GOVERNANCE system? What are the reporting relationships among your board of directors, SENIOR LEADERS, and your parent organization, as appropriate?
- (2) What are your KEY CUSTOMER groups and market segments, as appropriate? What are their KEY requirements and expectations for your products and services? What are the differences in those requirements and expectations among customer groups and market segments?
- (3) What role do suppliers and distributors play in your VALUE CREATION PROCESSES? What are your most important types of suppliers and distributors? What are your most important supply chain requirements?
- (4) What are your KEY supplier and CUSTOMER partnering relationships and communication mechanisms?

**Notes:**

N1. Product and service delivery to your customers (p.1A[1]) might be direct, or through dealers, distributors, or channel partners.

N2. Market segments (P.1b[2]) might be based on product lines or features, geography, distribution channels, business volume, or other factors that allow your organization to define related market characteristics.

N3. Customer group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, ongoing price reductions, electronic communication, and after-sales service.

N4. Communication mechanisms (P.1b[4]) should be two-way and might be in person, electronic, by telephone, and/or written. For many organizations, these mechanisms might be changing as marketplace requirements change.

For definitions of key terms presented throughout the Criteria and Scoring Guidelines text in SMALL CAPS, see Glossary of Key Terms on pages 49-55.

Frequently, several questions are grouped under one number (e.g., P.1a[3]). These questions are related and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

Item notes serve three purposes: (1) to clarify terms or requirements presented in an Item, (2) to give instructions on responding to the Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.

## P.2 Organizational Challenges

**Describe your organization's competitive environment, your KEY STRATEGIC CHALLENGES, and your system for PERFORMANCE improvement.**

*Within your response, include answers to the following questions:*

### **a. Competitive Environment**

- (1) What is your competitive position? What is your relative size and growth in your industry or markets served? What are the numbers and types of your competitors for your organization?
- (2) What are the principal factors that determine your success relative to your competitors? What are any KEY changes taking place that affect your competitive situation.
- (3) What are your KEY available sources of comparative and competitive data from within your industry? What are your KEY available sources of comparative data for analogous PROCESSES outside your industry? What limitations, if any, are there in your ability to obtain these data?

### **b. Strategic Challenges**

What are your KEY business, operational, and human resource STRATEGIC CHALLENGES?

### **c. Performance Improvement System**

- (1) What is the APPROACH you use to maintain an organizational focus on PERFORMANCE improvement and to guide SYSTEMATIC evaluation and improvement of KEY PROCESSES.
- (2) What is your overall APPROACH to organization learning and sharing your KNOWLEDGE ASSETS within the organization?

Notes:

N1. Factors (P.2a [2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, and warranty and product options.

N2. Challenges (P.2b) might include electronic communication with businesses and end-use consumers, reduced cycle times for product introduction, mergers and acquisitions, global marketing and competition, customer retention, staff retention, and value chain integration.

N3. Performance improvement (P.2c) is an assessment dimension used in the Scoring System to

evaluate the maturity of organizational approaches and deployment (see pages 60-62). This question is intended to help you and the APIC Examiners set a context for your approach to performance improvement.

N4. Overall approaches to process improvement (P2c[1]) might include implementing a lean enterprise system, six sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools.

## **Page Limit**

For Army-level award applicants, the organizational profile is limited to five pages of text. These pages are not counted in the overall application page limit. Typing and format instructions for the Organizational Profile are the same as for the application. These instructions are given on pages 56-59.



# 1 Leadership (120 pts.)

The **Leadership** Category examines **how** your organization's senior leaders address VALUES, directions, and PERFORMANCE expectations, as well as a focus on CUSTOMERS and other STAKEHOLDERS, EMPOWERMENT, INNOVATION and learning. Also examined are your organization's GOVERNANCE and **how** your organization addresses its public and community responsibilities.

## 1.1 Organizational Leadership (70 pts.)

### Approach – Deployment

**Describe how SENIOR LEADERS guide your organization. Describe your organization's GOVERNANCE system. Describe how SENIOR LEADERS review organizational PERFORMANCE.**

Within your response, include answers to the following questions:

#### a. Senior Leadership Direction

- (1) **How** do SENIOR LEADERS set and deploy organizational VALUES, short- and longer-term directions, and PERFORMANCE expectations? **How** do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS in their PERFORMANCE expectations? **How** do SENIOR LEADERS communicate organizational VALUES, directions, and expectations through your LEADERSHIP SYSTEM, to all employees, and to KEY suppliers and partners. **How** do SENIOR LEADERS ensure two-way communication on these topics?
- (2) **How** do SENIOR LEADERS create an environment for EMPOWERMENT, INNOVATION, and organizational agility? **How** do they create an environment for organizational and employee learning? **How** do they create an environment that fosters and requires legal and ethical behavior?

#### b. Organizational GOVERNANCE

**How** does your organization address the following KEY factors in your GOVERNANCE system?

- Management accountability for the organization's actions
- Fiscal accountability
- Independence in internal and external audits
- Protection of stockholder and STAKEHOLDER interests, as appropriate

#### c. Organizational PERFORMANCE Review

- (1) **How** do SENIOR LEADERS review organizational PERFORMANCE and capabilities? **How** do they use these reviews to assess organizational success, competitive PERFORMANCE and progress relative to short- and longer-term GOALS? **How** do they use these reviews to assess your organizational ability to address changing organizational needs?
- (2) What are the KEY PERFORMANCE MEASURES regularly reviewed by your SENIOR LEADERS? What are your KEY recent PERFORMANCE review findings?
- (3) **How** do SENIOR LEADERS translate organizational PERFORMANCE review findings into priorities for continuous and breakthrough improvement of KEY business RESULTS and into opportunities for INNOVATION? **How** are these priorities and opportunities deployed throughout your organization? When appropriate, **How** are they deployed to your suppliers and partners to ensure organizational ALIGNMENT?
- (4) **How** do you evaluate the PERFORMANCE of your SENIOR LEADERS, including your senior commander? **How** do you evaluate the PERFORMANCE of members of the senior leader group, including directors, as appropriate? **How** do SENIOR LEADERS use organizational PERFORMANCE review findings to improve their own leadership effectiveness and that of your board and LEADERSHIP SYSTEM, as appropriate?

## Notes:

N1. Organizational directions (1.1a[1]) relate to creating the vision for the organization and to setting the context for strategic objectives and action plans described in Items 2.1 and 2.2.

N2. Senior leaders' organizational performance reviews (1.1c) should be informed by organizational performance analyses described in 4.1b and guided by strategic objectives and action plans described in Items 2.1 and 2.2. Senior leaders' organizational

performance reviews also might be informed by internal or external APIC assessments.

N3. Leadership performance evaluation (1.1c[4]) might be supported by peer reviews, formal performance management reviews (5.1b), and formal and/or informal employee and other stakeholder feedback and surveys.

N4. Your organizational performance results should be reported in Items 7.1-7.6.

Item responses are assessed by considering the Criteria Item requirements; your KEY business factors presented in your Organizational Profile; and the maturity of your APPROACHES, breadth of DEPLOYMENT, and strength of your improvement PROCESS and RESULTS relative to the Scoring System. Refer to the Scoring System on pages 60-62.

## Leadership (Category 1)

*Leadership* addresses how your senior leaders guide your organization in setting organizational values, directions and performance expectations. Attention is given to how your senior leaders communicate with employees, review organizational performance, and create the environment that encourages high performance. The Category also includes your organization's governance system, its responsibilities to the public and how the organization practices good citizenship.

### 1.1 Organizational Leadership

#### Purpose

This Item examines the key aspects of your organization's leadership and governance systems. It also examines how leadership and organizational performance are reviewed. It focuses on the actions of your senior leaders to create and sustain a high performance organization.

#### Requirements

You are asked how your senior leaders:

- Set and deploy values, short- and longer-term directions, and performance expectations and balance the expectations of customers and other stakeholders. This includes how leaders create an environment for empowerment, innovation, organizational agility, learning; and ethical behavior.
- review organizational performance, what key performance measures they regularly review, and how review findings are used to drive improvement

and innovation, including improvement in the effectiveness of your commander and senior leaders.

You are asked how your governance system ensures accountability, independence in audits, and protection of stakeholder interests.

#### Comments

Leadership's central role in setting values and directions, creating and balancing value for all stakeholders, and driving and reviewing performance are the focus of this item. Success requires a strong orientation to the future and a commitment to both improvement and innovation. Increasingly, this requires creating an environment for empowerment and agility, as well as the means for rapid and effective application of knowledge.

The organizational governance requirement is intended to address the need for a responsible, informed, and accountable governance body that can protect the interests of key stakeholders. It should have independence in review and audit functions. It should also have a performance evaluation function that monitors organizational and senior commander's performance.

The organizational review called for in this item is intended to cover all areas of performance. This includes not only how well you currently are performing but also how well you are moving toward the future. It is anticipated that the review findings will provide a reliable means to guide both improvement and opportunities for innovation that are tied to your organization's key objectives, success factors, and

measures. Therefore, an important component of your senior leaders' organizational review is the translation of the review findings into an action agenda sufficiently specific for deployment through-

out your organization and to your suppliers, partners and key customers.

## 1.2 Social Responsibility(50 pts.)

### Approach - Deployment

**Describe how your organization addresses its responsibilities to the public, ensures ethical behavior, and practices good citizenship.**

Within your response, include answers to the following questions:

**a. Responsibilities to the Public**

- (1) **How** do you address the impacts on society of your products, services, and operations? What are your KEY compliance PROCESSES, MEASURES, and GOALS for achieving and surpassing regulatory and legal requirements, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products, services, and operations.
- (2) **How** do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner?

**b. Ethical Behavior**

**How** do you ENSURE ethical Behavior in all STAKEHOLDER transactions and interactions? What are your KEY PROCESSES and MEASURES or INDICATORS for monitoring ethical behavior throughout your organization, with KEY partners and in your GOVERNANCE structure?

**c. Support of Key Communities**

**How** does your organization actively support and strengthen your KEY communities? **How** do you identify KEY communities and determine areas of emphasis for organizational involvement and support? What are your KEY communities? **How** do your SENIOR LEADERS and your employees contribute to improving these Communities?

### Notes:

N1. Societal responsibilities in areas critical to your organization also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance or environmental improvements through the use of "green" technology or other means should be reported as Governance and Social Responsibility Results (Item 7.6).

N2. Measures or indicators of ethical behavior (1.2b) might include the percentage of independent board members, measures of relationships with stockholder

and non-stockholder constituencies, and results of ethics reviews and audits.

N3. Areas of community support appropriate for inclusion in 1.2c might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

N4. The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3

## ***1.2 Social Responsibility***

### **Purpose**

This Item addresses how your organization fulfills its public responsibilities, ensures that you and your partners behave ethically, and encourages, supports, and practices good citizenship.

### **Requirements**

You are asked:

- how your organization addresses its current and future impacts on society in a proactive manner and how you accomplish ethical business practices in all stakeholder interactions. The impacts and practices are expected to cover all relevant and important areas – products, services, and operations;
- for your key measures for monitoring regulatory and legal compliance and ethical behavior; and
- how your organization, your senior leaders, and your employees identify, support, and strengthen key communities as part of good citizenship practices.

### **Comments**

An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) legal and regulatory requirements, and (3) risk factors. Addressing these

areas requires establishing appropriate measures or indicators that senior leaders track in their overall performance review. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law. Role model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.

Citizenship implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include encouraging and supporting your employees' community service.

Examples of organizational community involvement include partnering with schools and school boards to improve education; partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business and professional associations to engage in beneficial, co-operative activities, such as sharing best practices to improve overall U.S. global competitiveness and environment.

## 2 Strategic Planning (85 pts.)

The **Strategic Planning** Category examines **how** your organization develops STRATEGIC OBJECTIVES and ACTION PLANS. Also examined are **how** your chosen STRATEGIC OBJECTIVES and ACTION PLANS are deployed and **how** progress is measured.

### 2.1 Strategy Development (40 pts)

#### Approach – Deployment

**Describe how your organization establishes its STRATEGIC OBJECTIVES, including enhancing its competitive position, overall PERFORMANCE, and future success.**

*Within your response, include answers to the following questions:*

#### a. Strategy Development Process

- (1) What is your overall strategic planning PROCESS? Include KEY steps. Who are the KEY participants? What are your short- and longer-term planning time horizons? **How** are these time horizons set? **How** does your strategic planning PROCESS address these time horizons?
- (2) How do you ensure that strategic planning addresses the KEY factors listed below? **How** do you collect and analyze relevant data and information to address these factors as they relate to your strategic planning:
  - your CUSTOMER and market/mission needs, expectations, and opportunities
  - your competitive environment and your capabilities relative to competitors
  - technological and other KEY INNOVATIONS that might affect your products and services and **how** you operate
  - your strengths and weaknesses, including human and other resources
  - your opportunities to redirect resources to higher priority products, services, or areas
  - financial, societal and ethical, regulatory, and other potential risks
  - changes in the national or global economy
  - factors unique to your organization, including partner and supply chain needs, strengths, and weaknesses

#### b. Strategic Objectives

- (1) What are your KEY STRATEGIC OBJECTIVES and your timetable for accomplishing them? What are your most important GOALS for these STRATEGIC OBJECTIVES?
- (2) **How** do your STRATEGIC OBJECTIVES address the challenges identified in response to P.2 in your Organizational Profile? **How** do you ensure that your STRATEGIC OBJECTIVES balance the needs of all KEY STAKEHOLDERS?

#### Notes:

N1. "Strategy development" refers to your organization's approach (formal or informal) to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to envisioning the future for purposes of decision-making and resource allocation.

N2. "Strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue or mission growth via various approaches, including acquisitions, and new partner-

ships and alliances. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' markets, a low-cost producer, a market innovator, or a high-end or customized product or service provider.

N3. Strategies to address key challenges (2.1b[2]) might include rapid response, customization, lean or virtual manufacturing, rapid innovation, ISO 9000:2000 registration, Web-based supplier and customer relationship management, and product and service quality. Responses to Item 2.1 should focus on your specific challenges—those most important to

your business success and to strengthening your organization's overall performance.

N4. Item 2.1 addresses your overall organizational strategy, which might include changes in services, products, and product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1, as appropriate.

N5. For organizations whose strategies are developed by higher levels (e.g., agency headquarters), this item should describe how the organization provides input to the parent organization's strategy development process and how your organization's own strategy is developed consistent with that of higher levels.

---

## Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, deployment of plans, and how accomplishments are measured and sustained. The Category stresses that customer-driven quality and operational performance are key strategic issues that need to be integral parts of your organization's overall planning.

Specifically:

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, customer loyalty, new markets, and market share – key factors in competitiveness, profitability, and business and/or mission success.
- operational performance improvement contributes to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability – including speed, responsiveness, and flexibility – represents an investment in strengthening competitive fitness.

The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes with your organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities.

The Strategic Planning Category examines how your organization:

- understands the key customer, market, and operational requirements and risks as input to setting strategic directions. This helps to ensure that ongoing process improvements and change are aligned with your organization's strategic directions.
- optimizes the use of resources, ensures the availability of trained employees, and bridges short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, and supplier development.

- ensures that deployment will be effective – that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization and the executive level; (2) the key process level; and (3) the work-unit and the individual-job level.

The requirements in the Strategic Planning Category encourage strategic thinking and acting – to develop a basis for a distinct competitive position in the marketplace and/or program/mission driven environment. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change, compete for limited resources. In most cases, setting priorities depends heavily upon a cost rationale. However, you also might have critical requirements such as public responsibilities, that are not driven by cost considerations alone.

### 2.1 Strategy Development

#### Purpose

This Item addresses how your organization sets strategic directions and develops your strategic objectives, guiding and strengthening your overall performance, competitiveness, and future success.

#### Requirements

You are asked:

- to outline your organization's strategic planning process, including identifying the key participants, key steps, and your planning time horizons;
- how you consider key factors that affect your organization's future. These factors cover external and internal influences on your organization;

- to address each factor and outline how relevant data and information are gathered and analyzed;
- to summarize your key strategic objectives and your timetable for accomplishing them; and
- how these objectives address the challenges outlined in your Organizational Profile.

### Comments

This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect the organization's future opportunities and directions – taking as long-term a view as possible. This approach is intended to provide a thorough and realistic context for the development of a customer- and mission/market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

This Item is intended to cover all types of organizations, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action, but do not imply formalized planning, planning departments, planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new

business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.

This item emphasizes competitive leadership, which usually depends upon revenue/mission growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization operates, but also how it competes. *How it competes* presents many options and requires that you understand your organization's and competitors' strengths and weaknesses. Although no specific time horizon is included, the thrust of this Item is sustained competitive leadership.

An increasingly important part of strategic planning is projecting the future competitive environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, maturity of markets, pace of change, and competitive parameters (such as price or innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive environment.



## 2.2 Strategy Deployment (45 pts)

## Approach – Deployment

**Describe how your organization converts its STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your organization's ACTION PLANS and related KEY PERFORMANCE MEASURES or INDICATORS. Project your organization's future PERFORMANCE on these KEY PERFORMANCE MEASURES or INDICATORS.**

*Within your response, include answers to the following questions:*

### a. ACTION PLAN Development and DEPLOYMENT

- (1) **How** do you develop and deploy ACTION PLANS to achieve your KEY STRATEGIC OBJECTIVES? **How** do you allocate resources to ensure accomplishment of your ACTION PLANS? **How** do you ensure that the KEY resulting from ACTION PLANS can be sustained?
- (2) What are your KEY short- and longer-term ACTION PLANS? What are the KEY changes, if any, in your products and services, your CUSTOMERS and markets, and **how** will you operate?
- (3) What are your KEY human resource plans that derive from your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?
- (3) What are your KEY PERFORMANCE MEASURES or INDICATORS for tracking progress on your ACTION PLANS?  
**How** do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT? **How** do you ensure that the measurement system covers all KEY DEPLOYMENT areas and STAKEHOLDERS?

### b. PERFORMANCE PROJECTION

For the KEY PERFORMANCE MEASURES or INDICATORS identified in 2.2a(4), what are your PERFORMANCE PROJECTIONS for both your short- and longer-term planning time horizons? **How** does your projected PERFORMANCE compare with competitors projected PERFORMANCE? **How** does it compare with KEY BENCHMARKS, GOALS, and past PERFORMANCE, as appropriate?

## Notes:

N1. Strategy and action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are:

- Item 1.1 for how senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to strategy and action plans, and for deploying action plans;
- Category 4 for information, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;
- Category 5 for your work system needs; employee education, training, and development needs; and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting

from your action plans; and

- Item 7.5 for specific accomplishments relative to organizational strategy and action plans.

N2. Measures and indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions or mergers, new value creation; market entry and shifts, and significant anticipated innovations in products, services, and/or technology.



---

## 2.2 Strategy Deployment

### Purpose

This Item addresses how your organization converts your strategic objectives into action plans to accomplish the objectives and how your organization assesses progress relative to these action plans. The aim is to ensure that your strategies are deployed for goal achievement.

### Requirements

You are asked:

- how you develop and deploy action plans that address your organization's key strategic objectives, including the allocation of needed resources and how you ensure that the key changes resulting from action plans can be sustained.
- to summarize your key short- and longer-term action plans. Particular attention is given to changes in product and services, customers and markets/mission, and how you will operate.
- about your key human resource plans that will enable accomplishment of your strategic objectives and action plans;
- to give your key measures or indicators used in tracking progress relative to the action plans, and how you use these measures to achieve organizational alignment and coverage of all key work units and stakeholders.
- Finally, to provide a projection of key performance measures or indicators. As part of this projection, you are asked how your projected performance compares with competitors' projected performance, key benchmarks, goals, and past performance.

### Comments

This Item asks how your action plans are developed and deployed. Accomplishment of action plans requires resources and performance measures, as well as the alignment of work unit and supplier and partner plans. Of central importance is how you achieve alignment and consistency—for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis

for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance. Action plans include human resource plans that support your overall strategy.

Key changes in your products and services or customers and markets might include Web-based or e-commerce initiatives, integrated within or separate from your current business.

Examples of possible human resource plan elements are:

- a redesign of your work organization and jobs to increase employee empowerment and decision making;
- initiatives to promote greater labor-management cooperation, such as union partnerships;
- initiatives to foster knowledge sharing and organizational learning;
- modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes;
- education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and establishment of technology-based training capabilities.

Projections and comparisons in this Item are intended to encourage your organization to improve its ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to competitors' and relative to your own targets or stretch goals. Such tracking serves as a key diagnostic management tool.

In addition to improvement relative to past performance and competitors' projected performance, projected performance also might include changes resulting from new business ventures, entry into new markets, e-commerce initiatives, product or service innovations, or other strategic thrusts.

## 3.0 Customer Focus (85 pts.)

The **CUSTOMER and Market Focus** Category examines HOW your organization determines requirements, expectations, and preferences of CUSTOMERS and markets. Also examined is HOW your organization builds relationships with CUSTOMERS and determines the KEY factors that lead to CUSTOMER acquisition, satisfaction, loyalty and retention, and to business expansion.

### 3.1 Customer and Market Knowledge (40 pts.)

#### Approach – Deployment

**Describe how your organization determines requirements, expectations, and preferences of CUSTOMERS and markets to ensure the continuing relevance of your products and services and to develop new opportunities.**

*Within your response, include answers to the following questions:*

#### a. Customer and Market Knowledge

- (1) **How** do you determine or target CUSTOMERS, CUSTOMER groups, and/or market segments? **How** do you include CUSTOMERS of competitors and other potential CUSTOMERS and markets in this determination?
- (2) **How** do you listen and learn to determine KEY CUSTOMER requirements and expectations (including product and service features) and their relative importance to CUSTOMERS' purchasing decisions? **How** do determination methods vary for different CUSTOMERS or CUSTOMER groups? **How** do you use relevant information from current and former CUSTOMERS, including marketing and sales information, CUSTOMER loyalty and retention data, won/lost ANALYSIS, and complaints? **How** do you use this information for PURPOSES of product and service planning, marketing, PROCESS improvements, and other business development?
- (3) How do you keep your listening and learning methods current with business needs and directions?

#### Notes:

N1. Your responses to this Item should include the customer groups and market segments identified in P.1b(2).

N2. If your products and services are sold to or delivered to end users via other businesses, such as retail stores or dealers, *private contractors, state and local governments, or non-profit organizations*, customer groups (3.1a[1]) should include both the end users and these intermediate organizations.

N3. "Product and service features" (3.1a[2]) refers to all the important characteristics of products and services and to their performance throughout their full life cycle and the full "consumption chain." This includes all customers' purchase experiences and other interactions with your organization that influence purchase decisions. The focus should be on features that affect customer preference and repeat business—for example, those features that differentiate your products and services from competing offerings. Those features might include price, reliability, value, delivery, requirements for hazardous materials use and disposal, customer or technical

support, and the sales relationship. Key product and service features and purchasing decisions (3.1a[2]) might take into account how transactions occur and factors such as confidentiality and security. *Many government agencies must also consider non-competitive factors such as fairness and mandated services to entitled customers.*

N4. Listening/learning (3.1a[2]) might include gathering and integrating surveys, focus group findings, and Web-based and other data and information that bear upon customers' purchasing decisions. Keeping your listening and learning methods current with business needs and directions (3.1a[3]) also might include use of newer technology, such as Web-based data gathering.

N5. *This Item addresses external customers only – those outside of the organization. Responses should also take into account the differing requirements of various categories of customers often served by government organizations, such as entitled and mandated customers in addition to the traditional voluntary customers*

---

## Customer and Market Focus (Category 3)

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the marketplace with a focus on delighting customers, building loyalty, and meeting customers' expectations as well as their requirements. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on customers' views but also on their marketplace behaviors—repeat business and positive referrals.

### 3.1 Customer and Market Knowledge

#### Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with marketplace changes and changing ways of doing business.

#### Requirements

You are asked how:

- you determine key customer groups and how you segment your markets;
- you consider potential customers, including your competitors' customers. *Competitors may include similar organizations, both inside and outside government;*
- you determine key customer requirements and expectations and their relative importance to customers' purchasing decisions and how you determine key product and service features.
- these determinations include relevant information from current and former customers.

- you keep your customer listening and learning methods current with your changing business needs and directions.

#### Comments

In a rapidly changing competitive environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to listen and learn on a continuous basis. To be effective, listening and learning need to be closely linked with your organization's overall business strategy.

Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and marketplace offerings, to support and tailor your marketing strategies, and to develop new business.

A relationship strategy may be possible with some customers but not with others. Differing relationships may require distinctly different listening and learning strategies. *The use of e-commerce is rapidly changing many marketplaces and may affect your listening and learning strategies, as well as your definition of customer groups and market segments.*

Selection of listening and learning strategies depends on your organization's key business factors. Increasingly, companies interact with customers via multiple modes. Some frequently used modes include:

- focus groups with key customers
- close integration with key customers;
- interviews with lost customers about their purchase decisions;
- use of the customer complaint process to understand key product and service attributes;
- win/lost analysis relative to competitors/*similar organizations*; and
- survey/feedback information, including information collected on the Internet.

### 3.2 Customer Relationships and Satisfaction (45 pts.)

### Approach – Deployment

**Describe how your organization builds relationships to acquire, satisfy, and retain CUSTOMERS, to increase CUSTOMER loyalty, and to develop new opportunities. Describe also HOW your organization determines CUSTOMER satisfaction.**

*Within your response, include answers to the following questions:*

#### **a. Customer Relationship Building**

- (1) **How** do you build relationships to acquire CUSTOMERS, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals?
- (2) What are your KEY access mechanisms for CUSTOMERS to seek information, conduct business, and make complaints? **How** do you determine KEY CUSTOMER contact requirements for each mode of CUSTOMER access? **How** do you ensure that these contact requirements are deployed to all people and PROCESSES involved in the CUSTOMER response chain?
- (3) What is your complaint management PROCESS? **How** you ensure that complaints are resolved effectively and promptly? **How** are complaints aggregated and analyzed for use in improvement throughout your organization and by your partners?
- (4) **How** do you keep your APPROACHES to building relationships and providing CUSTOMER access current with business needs and directions?

#### **b. Customer Satisfaction Determination**

- (1) **How** do you determine CUSTOMER satisfaction and dissatisfaction? **How** do these determination methods differ among CUSTOMER groups? **How** do you ensure that your measurements capture actionable information for use in exceeding your CUSTOMERS' expectations, securing their future business, and gaining positive referrals? **How** do you use customer satisfaction and dissatisfaction information for improvement?
- (2) **How** do you follow-up with CUSTOMERS on products, services, and transaction quality to receive prompt and actionable feedback?
- (3) **How** do you obtain and use information on your CUSTOMERS' satisfaction relative to CUSTOMERS' satisfaction with your competitors and/or BENCHMARKS?
- (4) **How** do you keep your APPROACHES to satisfaction determination current with business needs and directions?

### **Notes:**

N1. Customer relationship building (3.2a) might include the development of partnerships or alliances with customers.

N2. Determining customer satisfaction and dissatisfaction (3.2b) might include use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, win/loss analysis, and transaction completion rates. Information might be gathered on the Internet, through personal contact or a third party, or by mail.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide useful information about specific products and service features, delivery, relationships, and transactions that bear upon the customers' future actions - repeat business and/or positive referral.

N4. Your customer satisfaction and dissatisfaction results should be reported in Item 7.1.

---

### 3.2 Customer Relationships and Satisfaction

#### Purpose

This Item examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

#### Requirements

In this item you are asked:

- how you build relationships to acquire customers, to meet and exceed their expectations, to increase loyalty, and to develop repeat business and positive referrals.
- how you determine key customer contact requirements and how these vary for different modes of access. As part of this response, you are to describe key access mechanisms for customers to seek information, conduct business, and make complaints;
- how customer contact requirements are deployed to all people and processes involved in the customer response chain;
- to describe your complaint management process. This description should include how you ensure prompt and effective problem resolution. The description also should cover how all complaints are aggregated and analyzed for use in improvement throughout your organization and by your partners, as appropriate;
- how you keep your approaches to relationship building and customer access current with your changing business needs and directions;
- how you determine customer satisfaction and dissatisfaction, including how you capture actionable information that reflects customers' future business and positive referral;

- how you follow up with customers regarding products and services and recent transaction quality to receive prompt and actionable feedback;
- how you obtain and use information on customer satisfaction relative to satisfaction with competitors or similar organizations and/or industry benchmarks so you can gauge your performance in the marketplace; and finally
- how you keep your methods for determining customer satisfaction current with your changing business needs and directions.

#### Comments

This Item emphasizes how you obtain actionable information from customers. Information that is actionable can be tied to key product, service, and business processes and be used to determine cost and revenue implications for setting improvement and change priorities.

Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to setting priorities for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.

In determining customers' satisfaction, a key aspect is their comparative satisfaction with competitors and competing or alternative offerings. Such information might be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness.

Changing business needs and directions might include new modes of customer access, such as the Internet. In such cases, key contact requirements might include on-line security for customers and access to personal assistance.

## 4 Measurement, Analysis, and Knowledge Management (90 pts.)

The *Measurement, ANALYSIS, and Knowledge Management* Category examines **HOW** your organization selects, gathers, analyzes, manages, and improves its data, information and KNOWLEDGE ASSETS.

### 4.1 Measurement and Analysis of Organizational Performance (45 pts.)

Approach – Deployment

**Describe how your organization measures, analyzes, aligns, and improves its PERFORMANCE data and information at all levels and in all parts of your organization.**

*Within your response, include answers to the following questions:*

#### a. Performance Measurement

- (1) **How** do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational PERFORMANCE? **How** do you use these data and information to support organizational decision-making and INNOVATION?
- (2) **How** do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision-making and INNOVATION?
- (3) **How** do you keep your PERFORMANCE measurement system current with business needs and directions? **How** do you ensure that your PERFORMANCE measurement system is sensitive to rapid or unexpected organizational or external changes?

#### b. Performance Analysis

- (1) What ANALYSES do you perform to support your SENIOR LEADERS' organizational PERFORMANCE review? What ANALYSES do you perform to support your organization's strategic planning?
- (2) **How** do you communicate the RESULTS or organizational-level ANALYSIS to work group and functional-level operations to enable EFFECTIVE support for decision-making?

### Notes:

N1. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.

N2. Comparative data and information sources (4.1a[2]) are obtained by benchmarking and seeking competitive comparisons. "Benchmarking" refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons relate your organization's performance to that of competitors in your markets.

N3. Analysis includes examining trends; organizational, industry, and technology projections; and

comparisons, cause-effect relationships, and correlations intended to support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.

N4. The results of organizational performance analysis should contribute to your senior leaders' organizational performance review in 1.1c and organizational strategic planning in Category 2.

N5. Your organizational performance results should be reported in Items 7.1–7.6.



---

## Measurement, Analysis, and Knowledge Management (Category 4)

The Measurement, Analysis, and Knowledge Management Category is the main point within the Criteria for all key information about effectively measuring and analyzing performance and managing organizational knowledge to drive improvement and organizational competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations and its strategic objectives. Central to such use of data and information are their quality and availability. Furthermore, since information and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

### *4.1 Measurement and Analysis of Organizational Performance*

#### **Purpose**

This Item examines your organization's selection, management, and use of data and information for performance measurement and analysis in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of measurement and analysis is to guide your organization's process management toward the achievement of key business results and strategic objectives and to anticipate and respond to rapid or unexpected organizational or external changes.

#### **Requirements**

You are asked:

- how you gather and integrate data and information for monitoring daily operations and supporting organizational decision-making and how you select and use measures for tracking those operations and overall organizational performance;
- how you select and use comparative data and information to support operational and strategic decision making and innovation. These requirements address the major components of an effective performance measurement system.
- what analyses you perform to support your senior leaders' assessment of overall organizational performance and your strategic planning;
- how the results of organizational-level analysis are communicated to support decision making

throughout your organization and are aligned with your business results, strategic objectives, and action plans; and finally,

- how you keep your organization's performance measurement system current with changing business needs and directions and how you ensure your measurement system is sensitive to rapid and unexpected organizational and external changes.

#### **Comments**

Alignment and integration are key concepts for successful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization, how they are integrated to yield organization-wide data and information, and how performance measurement requirements are deployed by your senior leaders to track work group and process-level performance on key measures targeted for organization-wide significance or improvement.

The use of comparative data and information is important to all organizations. The major premises for use are (1) your organization needs to know where it stands relative to competitors and to best practices, (2) comparative information and information obtained from benchmarking often provides the impetus for significant ("breakthrough") improvement or change, and (3) comparing performance information frequently leads to a better understanding of your processes and their performance. Comparative information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.

Your effective selection and use of comparative data and information require (1) determination of needs and priorities; (2) criteria for seeking appropriate sources for comparisons—from within and outside of your organization's industry and markets; and (3) use of data and information to set stretch goals and to promote major, non-incremental ("breakthrough") improvements in areas most critical to your organization's competitive strategy.

Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that

analysis is relevant to decision making and that decision making is based on relevant data and information.

Action depends on understanding cause-effect connections among processes and between processes and results or outcomes. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections are often unclear.

Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely depending on your type of organization, size, competitive environment, and other factors. Examples of possible analyses include:

- how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share
- cost and revenue implications of customer-related problems and effective problem resolution
- interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction
- improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels
- relationships between employee and organizational learning and value added per employee
- financial benefits derived from improvements in employee safety, absenteeism, and turnover
- benefits and costs associated with education and training, including Internet-based, or e-learning, opportunities
- benefits and costs associated with improved organizational knowledge management and sharing
- the value added for the customer and the organization by better knowledge and information management
- the relationship between knowledge management and innovation
- how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity
- cost and revenue implications of employee-related problems and effective problem resolution
- individual or aggregate measures of productivity and quality relative to competitors' performance
- cost trends relative to competitors' trends
- relationships among product and service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee
- allocation of resources among alternative improvement projects based on cost/benefit implications or environmental and community impact
- net earnings derived from quality, operational, and human resource performance improvements
- comparisons among business units showing how quality and operational performance improvement affect financial performance
- contributions of improvement activities to cash flow, working capital use, and shareholder value
- profit *and other* impacts of customer retention
- cost and revenue implications of new market entry, including global market entry or expansion
- cost and revenue, customer, and productivity implications of engaging in or expanding e-commerce or e-business and use of the Internet and intranets
- market share versus profits
- trends in economic, market, and shareholder indicators of value

The availability of electronic data and information of many kinds (e.g., financial, operational, customer-related, accreditation or regulatory) and from many sources (e.g., internal, third party, and public sources; the Internet; Internet tracking software) permits extensive analysis and correlations. Effectively utilizing and prioritizing this wealth of information are significant organizational challenges.



## 4.2 Information and Knowledge Management (45 pts.)

## Approach - Deployment

Describe how your organization ensures the quality and availability of needed data and information for employees, suppliers and partners, and CUSTOMERS. Describe how your organization builds and manages its KNOWLEDGE ASSETS.

*Within your response, include answers to the following questions:*

### a. Data and Information Availability

- (1) **How** do you make needed data and information available? **How** do you make them accessible to employees, suppliers and partners, and CUSTOMERS, as appropriate?
- (2) **How** do you ensure that hardware and software are reliable, secure, and user friendly?
- (3) **How** do you keep your data and information availability mechanisms, including your software and hardware systems, current with business needs and directions?

### b. Organizational Knowledge

- (1) **How** do you manage organizational knowledge to accomplish:
  - the collection and transfer of employee knowledge
  - the transfer of relevant knowledge from CUSTOMERS, suppliers, and partners
  - the identification and sharing of best practices
- (2) **How** do you ensure the following properties of your data, information, and organizational knowledge:
  - timeliness
  - reliability
  - security
  - accuracy
  - confidentiality

### Notes:

N1. Data availability (4.2a) are of growing importance as the Internet, e-business, and e-commerce are used increasingly for business-to-business and business-to-consumer interactions and as intranets become more important as a major source of organization-wide communications.

N2. Data and information access (4.2a[1]) might be via electronic or other means.

## 4.2 Information and Knowledge Management

### Purpose

This Item examines how your organization ensures the availability of high-quality, timely data and information for all your key users—employees, suppliers and partners, and customers. It also examines how your organization builds and manages its knowledge assets. The aim is to improve organizational efficiency, effectiveness, and innovation.

### Requirements

You are asked how you:

- make data and information available and accessible to your user communities;
- ensure that data, information, and organizational knowledge have all the characteristics your users expect: integrity, reliability, accuracy, timeliness, and appropriate levels of security and confidentiality;
- ensure that your hardware systems and software are reliable, secure, and user friendly so that access is facilitated and encouraged;

- keep your data availability mechanisms, software, and hardware current with changing business needs and directions; and
- capture, protect, and disseminate organizational knowledge.

### Comments

Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The expanding use of electronic information within organizations' operations, as part of organizational knowledge networks, from the Internet, and in business-to-business and business-to-consumer communications, challenges organizational abilities to ensure reliability and availability in a user-friendly format.

Data and information are especially important in business networks, alliances, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.

The focus of an organization's knowledge management is on the knowledge that people need to do their work; improve processes, products, and services; keep current with changing business needs and directions; and develop innovative solutions that add value for the customer and the organization.

## 5.0 Human Resource Focus

(85 pts.)

The *Human Resource Focus* Category examines **how** your organization's WORK SYSTEMS and employee learning and motivation enable employees to develop and utilize their full potential in ALIGNMENT with your organization's overall objectives and ACTION PLANS. Also examined are your organization's efforts to build and maintain a work environment and employee support climate conducive to PERFORMANCE EXCELLENCE and to personal and organizational growth.

### 5.1 Work Systems (35 pts.)

Approach – Deployment

**Describe how your organization's work and jobs enable employees and the organization to achieve HIGH PERFORMANCE. Describe HOW compensation, career progression, and related workforce practices enable employees and the organization to achieve HIGH PERFORMANCE.**

*Within your response, include answers to the following questions:*

#### a. Organization and Management of Work

- (1) **How** do you organize and manage work and jobs to promote cooperation, initiative, EMPOWERMENT, INNOVATION, and your organizational culture? **How** do you organize and manage work and jobs to achieve the agility to keep current with business needs?
- (2) **How** do your WORK SYSTEMS capitalize on the diverse ideas, cultures, and thinking of your employees and the communities with which you interact (your employee hiring and your CUSTOMER communities)?
- (3) **How** do you achieve EFFECTIVE communication and skill sharing across work units, jobs, and locations?

#### b. Employee Performance Management System

**How** does your employee PERFORMANCE management system, including feedback to employees support HIGH PERFORMANCE WORK? **How** does employee PERFORMANCE management system support a CUSTOMER and business focus? **How** do your compensation, recognition, and related reward and incentive practices reinforce HIGH-PERFORMANCE WORK and a CUSTOMER and business focus?

#### c. Hiring and Career Progression

- (1) **How** do you identify characteristics and skills needed by potential employees?
- (2) **How** do you recruit, hire, and retain new employees? **How** do you ensure the employees represent the diverse ideas, cultures, and thinking of your employee hiring community?
- (3) **How** do you accomplish EFFECTIVE succession planning for leadership and management positions, including senior leadership? **How** do you manage EFFECTIVE career progression for all employees throughout the organization?

### Notes:

N1. "Employees" refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include team leaders, supervisors, and managers at all levels. Contract employees supervised by a contractor should be addressed in Category 6.

N2. "Your organization's work" refers to how your employees are organized or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, project teams, customer action teams, problem-solving teams, centers of excellence, functional units, remote (e.g., at-home) workers, cross-functional

teams, and departments--self-managed or managed by supervisors.

"Jobs" refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team.

N3. Compensation and recognition (5.1b) include promotions and bonuses that might be based upon performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group mechanisms.

---

## 5.0 Human Resource Focus (Category 5)

Human Resource Focus addresses key human resource practices – those directed toward creating and maintaining a high performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, i.e., aligned with the organization's strategic objectives. Your human resource focus includes your work environment and your employee support climate.

To reinforce the basic alignment of human resource management with overall strategy, the Criteria also cover human resource planning as part of overall planning in the Strategic Planning Category.

### 5.1 Work Systems

#### Purpose

This Item examines your organization's systems for work and jobs, compensation, career progression, employee performance management, motivation, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change.

#### Requirements

You are asked how:

- you organize and manage work and jobs to promote cooperation, initiative, empowerment, innovation, agility, and your organizational culture;
- you achieve effective communication and knowledge and skill sharing;
- your employee performance management system, including feedback to employees, supports high performance and a customer and business focus. This should include how compensation, recognition, and related practices reinforce these objectives;
- you identify the capabilities needed by potential employees and how you recruit, hire, and retain new employees. Your considerations should include the ability of your work system to benefit from the diverse ideas and cultures of your communities; and

- you accomplish effective succession planning for leadership and management positions including senior leadership and how you manage effective career progression for all employees throughout the organization.

#### Comments

High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a workforce capable of achieving high performance. In addition to enabled employees and proper work system design, high-performance work requires ongoing education and training, as well as information systems that ensure proper information flow. *To help employees realize their full potential, many organizations use individual development plans prepared with each employee and addressing his/her career and learning objectives.*

Work and job factors for your consideration include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment with trust, knowledge sharing and mutual respect.

Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and to peer evaluations. Compensation and recognition approaches also might include profit sharing, rewarding exemplary team or unit performance, and linkage to customer satisfaction and loyalty measures or other business objectives.

The requirements of high-performance work, coupled with the challenges of labor markets, necessitate attention to succession planning and hiring profiles. This should include and capitalize on diversity factors. Employee hiring and career progression planning should consider both internal and external candidates with a focus on the future success and growth of the organization.

## 5.2 Employee Learning and Motivation (25 pts.)

## Approach – Deployment

**Describe how your organization's employee education, training, and career development support the achievement of your overall objectives and contribute to HIGH PERFORMANCE. Describe how your organization's education, training, and career development build employee knowledge, skills, and capabilities.**

*Within your response, include answers to the following questions:*

### **a. Employee Education, Training, and Development**

- (1) **How** do employee education and training contribute to the achievement of your ACTION PLANS? **How** do your employee education, training, and development address your key needs associated with organizational PERFORMANCE measurement, PERFORMANCE improvement, and technological change? **How** does your education and training APPROACH balance short- and longer-term organizational objectives with employee needs for development, learning, and career progression?
- (2) **How** do employee education, training, and development address your key organizational needs associated with new employee orientation, diversity, ethical business practices, and management and leadership development? **How** do employee education, training, and development address your key organizational needs associated with employee, workplace, and environmental safety.
- (3) **How** do you seek and use input from employees and their supervisors and managers on education and training needs? **How** do you incorporate your organizational learning and KNOWLEDGE ASSETS into your education and training?
- (4) **How** do you deliver education and training? **How** do you seek and use input from employees and their supervisors and managers on options for the delivery of education and training? **How** do you use both formal and informal delivery APPROACHES, including mentoring and other APPROACHES, as appropriate?
- (5) **How** do you reinforce the use of knowledge and skills on the job?
- (6) **How** do you evaluate the effectiveness of education and training, taking into account individual and organizational PERFORMANCE?

### **b. Motivation and Career Development**

**How** do you motivate employees to develop and utilize their full potential? **How** does your organization use formal and informal mechanisms to help employees attain job- and career-related development and learning objectives? **How** do managers and supervisors help employees attain job- and career-related development and learning objectives?

## **Notes:**

Education and training delivery (5.2a[4]) might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learn-

ing, and/or other types of delivery (formal or informal).

## **5.2 Employee Learning and Motivation**

### **Purpose**

This Item examines the education, training, and on-the-job reinforcement of knowledge and skills of your organization's workforce. It also examines your organization's systems for motivation and employee career development with the aim of meeting ongoing needs of employees and a high performance workplace.

### **Requirements**

You are asked how:

- education and training tie to your action plans, including how education and training balance short- and longer-term individual and organizational objectives;
- you seek and use input on education and training needs and delivery from those most directly benefiting-employees and their supervisors and managers;

- you incorporate organizational learning and knowledge assets into your education and training;
- your employee education, training, and development address key organizational needs associated with technological change, ethical business practices, management and leadership development, orientation of new employees, safety, diversity, and performance measurement and improvement;
- you deliver and evaluate education and training, taking into account individual and organizational performance;
- you reinforce knowledge and skills on the job; and
- your managers and supervisors motivate employees to develop and utilize their full potential, including the mechanisms you use to attain job- and career-related learning objectives.

### Comments

Depending on the nature of your organization's work, employees' responsibilities, and the stage of organizational and personal development, education and training needs might vary greatly. These needs might include gaining skills for knowledge sharing, communications, teamwork, and problem solving; interpreting and using data; meeting customer requirements; process analysis and simplification; waste and cycle time reduction; and setting priorities based on strategic alignment or cost/benefit analysis. Education needs also might include basic skills, such as reading, writing, language, arithmetic, and, increasingly, computer skills.

Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.

When you evaluate education and training, you should seek effectiveness measures as a critical component of evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis of the training.

Although this Item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes learning critical knowledge and skills in the following areas: your products, services, and customers; how to listen to customers; recovery from problems or failures; and how to effectively manage customer expectations.

To help employees realize their full potential, many organizations use individual development plans prepared with each employee and addressing her or his career and learning objectives.

Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through exit interviews with departing employees.

### 5.3 Employee Well Being and Satisfaction (25 pts.)

### Approach – Deployment

**Describe HOW your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.**

*Within your response, include answers to the following questions:*

#### **a. Work Environment**

- (1) **How** do you improve workplace health, safety, security, and ergonomics? **How** do employees take part in improving them? What are your PERFORMANCE MEASURES or targets for each of these key workplace factors? What are the significant differences in workplace factors and performance measures or targets if different employee groups and work units have different work environment.
- (2) **How** do you ensure workplace preparedness for emergencies or disasters? **How** do you seek to ensure business continuity for the benefit of your employees and CUSTOMERS?

#### **b. Employee Support and Satisfaction**

- (1) **How** do you determine the KEY factors that affect employee well-being, satisfaction, and motivation? **How** are these factors segmented for a diverse workforce and for different categories and types of employees?
- (2) **How** do you support your employees via services, benefits, and policies? **How** are these tailored to the needs of a diverse workforce and different categories and types of employees?
- (3) What formal and informal assessment methods and MEASURES do you use to determine employee well-being, satisfaction, and motivation? **How** do these methods and MEASURES differ across a diverse work force and different categories and types of employees? **How** do you use other indicators, such as employee retention, absenteeism, grievances, safety, and PRODUCTIVITY, to assess and improve employee well-being, satisfaction, and motivation?
- (4) How do you relate assessment findings to KEY business RESULTS to identify priorities for improving the work environment and employee support climate?

### Notes:

N1. Specific factors that might affect your employees' well-being, satisfaction, and motivation (5.3b[1]) include effective employee problem or grievance resolution; safety factors; employees' views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; the work environment and other work conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

N2. Approaches for employee support (5.3b[2]) might include providing counseling, career development and employability services, recreational or cultural activities, nonwork-related education, day care, job rotation or sharing, special leave for family responsibilities or community service, home safety training, flexible work hours and location, outplacement, and retirement benefits (including extended health care).

N3. Measures and indicators of well-being, satisfaction, and motivation (5.3b[3]) might include data on safety and absenteeism, the overall turnover rate, the turnover rate for customer contact employees, employees' charitable contributions, grievances, strikes, other job actions, insurance costs, worker's compensation claims, and results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, employee knowledge of organizational direction, and employee perception of empowerment and information sharing. Your results relative to such measures/indicators should be reported in Item 7.4.

N4. Setting priorities (5.3b[4]) might draw upon your human resource results presented in Item 7.4 and might involve addressing employee problems based on their impact to your business results.



### 5.3 Employee Well being and Satisfaction

#### Purpose

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well being, satisfaction, and motivation of all employees while recognizing their diverse needs.

#### Requirements

You are asked:

- how you ensure a safe and healthful work environment for all employees, taking into account their differing work environments and associated requirements. Special emphasis is placed on how employees contribute to identifying important factors and to improving workplace safety;
- to identify appropriate measures and targets for key workplace factors so that status and progress can be tracked;
- how you ensure workplace preparedness for emergencies or disasters;
- how you ensure business continuity for the benefit of your employees and customers;
- how you determine the key factors that affect employee well being, satisfaction, and motivation. Included are how these factors are segmented for diverse workforce and different categories and types of employees;
- how your services, benefits, and policies support employee well-being, satisfaction, and motivation based upon a holistic view of this key stakeholder group. Special emphasis is placed on the variety of approaches you use to satisfy a diverse work force with differing needs and expectations;
- to describe formal and informal assessments methods and measures you use to determine em-

ployee well-being, satisfaction, and motivation. This description should include how you tailor these methods and measures to a diverse workforce and how you use other indicators (e.g., employee turnover) to support your assessment; and

- how you relate assessment findings to key business results to identify key priorities for improvement.

#### Comments

Most organizations, regardless of size, have many opportunities to contribute to employee well being, satisfaction, and motivation. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; nonwork-related education; day care; special leave for family responsibilities and community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.

Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution; employee development and career opportunities; work environment and management support; workload; communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

In addition to direct measures of employee satisfaction and well-being through formal or informal surveys, some other indicators include absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables and workers' compensation claims.



## 6 Process Management (85 pts.)

The **Process Management** Category examines the KEY aspects of your organization's PROCESS management, including KEY product, service and business processes for creating CUSTOMER and organizational VALUE and KEY support PROCESSES. This Category encompasses all KEY PROCESSES and all work units.

### 6.1 Value Creation Processes (50 pts.)

#### Approach – Deployment

**Describe how your organization identifies and manages its KEY PROCESSES for creating CUSTOMER VALUE and achieving business success and growth.**

*Within your response, include answers to the following questions:*

#### a. VALUE CREATION PROCESSES

- (1) **How** does your organization determine its KEY VALUE CREATION PROCESSES? What are your organization's KEY product, service, and business PROCESSES for creating or adding VALUE? **How** do these PROCESSES create VALUE for the organization, your CUSTOMERS, and your other key STAKEHOLDERS? **How** do they contribute to profitability and business success?
- (2) **How** do you determine KEY VALUE CREATION PROCESS requirements, incorporating input from CUSTOMERS, suppliers, and partners, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) **How** do you design these PROCESSES to meet all the KEY requirements? **How** do you incorporate new technology and organizational knowledge into the design of these PROCESSES? **How** do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of these PROCESSES? **How** do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are your KEY PERFORMANCE MEASURES or INDICATORS used for the control and improvement of your VALUE CREATION PROCESSES? **How** does your day-to-day operation of these PROCESSES ensure meeting KEY PROCESS requirements? **How** are in-process MEASURES used in managing these PROCESSES? **How** are CUSTOMER, supplier, and partner input used in managing these PROCESSES, as appropriate?
- (5) **How** do you minimize overall costs associated with inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate? **How** do you prevent defects and rework, and minimize warranty costs, as appropriate?
- (6) **How** do you improve your VALUE CREATION PROCESSES to achieve better PERFORMANCE, to reduce variability, to improve products and services, and to keep the PROCESSES current with business needs and directions? **How** are improvements shared with other organizational units and PROCESSES?

#### Notes:

N1. Your key value creation processes are those most important to "running your business" and maintaining or achieving a sustainable competitive advantage. They are the processes that involve the majority of your organization's employees and produce customer, stockholder, and other key stakeholder value. They include the processes through which your organization adds greatest value to its products and services. They also include the business processes most critical to adding value to the business itself, resulting in success and growth.

N2. Key value creation processes differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, how they are produced and delivered, technology requirements, customer and supplier relationships and involvement, outsourcing, impor-

tance of research and development, role of technology acquisition, information and knowledge management, supply chain management, mergers and acquisitions, global expansion, and sales and marketing. Responses to Item 6.1 should be based on the most critical requirements and processes for your products, services, and business.

N3. To achieve better process performance and reduce variability, you might implement approaches such as a lean enterprise system, six sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools. .

N4. To provide as complete and concise a response as possible for your key value creation processes, you might want to use a tabular format identifying the key

processes and the attributes of each as called for in questions 6.1a(1)-6.1a(6).

N5. The results of improvements in product and service performance should be reported in Item 7.2. The results of operational improvements in your

product and service design and delivery processes and key business processes should be reported in Item 7.5.

---

## Process Management (Category 6)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management: effective design; a prevention orientation; linkage to customers, suppliers, and partners and a focus on value creation for all key stakeholders; operational performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Agility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In simplest terms, “agility” refers to your ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, agility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Agility also increasingly involves decisions to outsource, agreements with key suppliers, and novel partnering arrangements. Flexibility might demand special strategies such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Cost and cycle time reduction often involve lean process management strategies. It is crucial to utilize key measures for these requirements in your overall process management.

### 6.1 Value Creation Processes

#### Purpose

This Item examines your organization's key product, service, and business processes, with the aim of creating value for your customers and other stakeholders, and improving your marketplace and operational performance.

#### Requirements

You are asked:

- to identify your key value creation processes and their requirements;
- how these processes are designed, implemented, and performed to meet all your requirements and

how you incorporate input from customers, suppliers, and partners, as appropriate; also

- how you address key factors in design effectiveness including cycle time, productivity, and cost control;
- how your processes create value for all key stakeholders and how they contribute to business profitability and success;
- to identify your key performance measures for the control and improvement of your value creation processes, including how in-process measures and customer and supplier feedback are used;
- how you minimize costs associated with inspections, tests, and audits through the use of prevention-based processes;
- how you improve your value creation processes to achieve better performance and to keep them current with your changing business needs and directions, and finally;
- how improvements are shared to achieve organizational learning.

#### Comments

This item calls for information on the management and improvement of key value creation processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Increasingly, these requirements might include the need for agility-speed and flexibility- to adapt to change.

Your design approaches could differ appreciably depending upon the nature of your products and services—whether the products/services are entirely new, are variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design include safety, long-term performance, environmental impact, “green” manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or service options, supplier capability, and documenta-

tion. Effective design also must consider cycle time and productivity of production and delivery processes. These might involve detailed mapping of manufacturing or service processes and redesigning ("re-engineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

Your key business processes are those non-product and non-service processes that are considered most important to business growth and success by your senior leaders. These processes frequently relate to an organization's strategic objectives and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales and marketing. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.

For many organizations, supply chain management is a growing factor in achieving productivity and profitability goals and overall business success. Suppliers and partners are receiving increasing strategic attention as organizations re-evaluate their core functions. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and also, on specific actions, to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.

Many organizations need to consider requirements for suppliers and partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but it also might offer a means to significantly reduce unit costs and time to market.

This Item calls for information on the incorporation of new technology. This could include e-technology for sharing information with suppliers and partners, communicating with customers, and giving them continuous (24/7) access, and automated information transfer from in-service products requiring maintenance in the field.

Specific reference is made to in-process measurements and customer and supplier interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Achieving expected performance frequently requires setting performance levels or standards to guide decision-making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail allowing for specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspective but also better financial and operational performance—such as productivity—from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. These approaches include (1) sharing successful strategies across your organization, (2) process analysis and research (e.g., process mapping, optimization experiments, error proofing), (3) technical and business research and development, (4) benchmarking, (5) using alternative technology, and (6) using information from customers of the processes—within and outside your organization. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

## 6.2 Support Processes (35 pts.)

## Approach – Deployment

**Describe how your organization manages its KEY PROCESSES that support your VALUE CREATION PROCESSES.**

*Within your response, include answers to the following questions:*

### a. Support PROCESSES

- (1) **How** does your organization determine its KEY support PROCESSES? What are your KEY PROCESSES for supporting your VALUE CREATION PROCESSES?
- (2) **How** do you determine KEY support PROCESS requirements, incorporating input from internal and external CUSTOMERS, and suppliers and partners, as appropriate? What are the KEY requirements for these PROCESSES?
- (3) **How** do you design these PROCESSES to meet all the KEY requirements? **How** do you incorporate new technology and organizational knowledge into the design of these PROCESSES? **How** do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of the PROCESSES? **How** do you implement these PROCESSES to ensure they meet design requirements?
- (4) What are your KEY PERFORMANCE MEASURES or INDICATORS used for the control and improvement of your support PROCESSES? **How** does your day-to-day operation of KEY support PROCESSES ensure meeting KEY PERFORMANCE requirements? **How** are in-process MEASURES used in managing these PROCESSES? **How** is CUSTOMER, supplier, and partner input used in managing these PROCESSES, as appropriate?
- (5) **How** do you minimize overall costs associated with inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate? **How** do you prevent defects and rework?
- (6) **How** do you improve your support PROCESSES to achieve better PERFORMANCE, to reduce variability, and to keep the PROCESSES current with business needs and directions? **How** are improvements shared with other organizational units and PROCESSES?

Notes:

N1. Your key support processes are those that are considered most important for support of your organization's value creation processes, employees, and daily operations. These might include finance and accounting, facilities management, legal, human

resource, project management, and administration processes.

N2. The results of improvements in your key support processes and key support process performance results should be reported in Item 7.5.

## 6.2 Business Processes

### Purpose

This Item examines your organization's key support processes, with the aim of improving your overall operational performance.

### Requirements

You are asked

- to identify your key support processes and their design requirements;
- how your organization's key support processes are designed to meet all your requirements and how you incorporate input from customers, suppliers, and partners, as appropriate;
- how day-to-day operation of your key support

processes ensures meeting the key requirements, including how in-process measures and customer and supplier feedback are used;

- how you minimize costs associated with inspections, tests, and audits through the use of prevention-based processes;
- how you improve your key support processes to achieve better performance and to keep them current with your changing business needs and directions; and finally,
- how improvements are shared to achieve organizational learning.

## Comments

Your support processes are those that support your daily operations and your product and service delivery but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly on product and service characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated and integrated to ensure efficient, effective linkage and performance. Support processes might include finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.

This Item calls for information on how your organization evaluates and improves the performance of your key support processes. Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including complete redesign (“re-engineering”) of processes.

## 7.0 Business Results

(450 pts.)

The **Business** Category examines your organization's PERFORMANCE and improvement in KEY business areas—CUSTOMER satisfaction, product and service PERFORMANCE, financial and marketplace PERFORMANCE, human resource RESULTS, operational PERFORMANCE, and GOVERNANCE and social responsibility. Also examined are PERFORMANCE LEVELS relative to those of competitors.

### 7.1 Customer-Focused Results (75 pts.)

Results

**Summarize your organization's KEY customer-focused RESULTS, including CUSTOMER satisfaction and customer perceived VALUE. Segment your RESULTS by CUSTOMER groups and market segments, as appropriate. Include appropriate comparative data.**

*Provide data and information to answer the following questions:*

#### a. Customer-Focused RESULTS

- (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER satisfaction and dissatisfaction? **How** do these compare with competitors' LEVELS of CUSTOMER satisfaction?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of customer-perceived VALUE, including CUSTOMER loyalty and retention, positive referral, and other aspects of building relationships with CUSTOMERS, as appropriate?

#### Notes:

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures and indicators of customers' satisfaction with your products and services relative to customers' satisfaction with competitors might include objective information and data from your customers and from independent organizations.

## Business Results (Category 7)

The Business Results Category provides a results focus that encompasses your customers' evaluation of your organization's products and services, your overall financial and market performance, and results of all key processes and process improvement activities. Through this focus, the Criteria's purposes – superior value of offerings as viewed by your customers and the marketplace, superior organizational performance as reflected in your operational and financial indicators, and organizational and personal learning – are maintained. Category 7 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes, products, and services, in alignment with your overall organizational strategy. Item 4.1 calls for analysis of business results data and information to determine your overall organizational performance.

### 7.1 Customer-Focused Results

#### Purpose

This Item examines your organization's customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and has developed loyalty, repeat business, and positive referral.

#### Requirements

You are asked to provide:

- current levels, trends, and appropriate comparisons for key measures and indicators of customer satisfaction and dissatisfaction, including comparisons with your competitors' levels of customer satisfaction;
- data and information on customer loyalty (retention), positive referral, and customer-perceived value.

#### Comments

This Item focuses on the creation and use of all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints, complaint management, and warranty claims; customer-perceived value based on quality and price; customer assessment of access and ease of use (including courtesy in service interactions); and awards, ratings, and recognition from customers and independent rating organizations.

This Item places an emphasis on customer-focused results that go beyond satisfaction measurement because loyalty, repeat business, and longer-term

customer relationships are better indicators and measures of future success in the marketplace.

## 7.2 Product and Service Results (75 pts)

## Results

**Summarize your organization's KEY product and service PERFORMANCE RESULTS. Segment your RESULTS by product groups, customer groups, and market segments, as appropriate. Include appropriate comparative data.**

*Provide data and information to answer the following questions:*

### a. Product and Service Results

What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of product and service PERFORMANCE that are important to your CUSTOMERS ? How do these results compare with your competitor's PERFORMANCE?

### Notes:

Product and service results reported in this Item should relate to the key product and services features identified as customer requirements or expectations in P.1b(2) based on information gathered in Items 3.1

and 3.2. The measures or indicators should address factors that affect customer preference, such as those included in P.1, Note 3 and Item 3.1, Note 3.

## 7.2 Product and Service Results

### Purpose

This Item examines your organization's key product and service performance results, with the aim of delivering product and service quality that leads to customer satisfaction, loyalty, and positive referral.

### Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and indicators of product and service performance. Such results should be for key drivers of your customers' satisfaction and loyalty.

### Comments

This Item places emphasis on measures of product and service performance that serves as indicators of customers' views and decisions relative to future purchases and relationships. These measures of product and service

performance are derived from customer-related information gathered in Items 3.1 and 3.2.

Product and service measures appropriate for inclusion might be based upon the following: internal quality measurements, field performance of products, defect levels, response times, data collected from your customers by other organizations on ease of use or their attributes, and customer surveys on product and service performance.

The correlation between product and service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements; (2) identifying product and service differentiators in the marketplace; and (3) determining cause-effect relationships between your product and service attributes and evidence of customer satisfaction and loyalty, as well as positive referral. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.



### 7.3 Financial and Market Results (75 pts.)

### Results

**Summarize your organization's KEY financial and marketplace PERFORMANCE RESULTS by market segments, as appropriate. Include appropriate comparative data.**

*Provide data and information to answer the following questions:*

#### **b. Financial and Market Results**

- (1) What are your current LEVELS and TRENDS in KEY MEASURES/INDICATORS of financial PERFORMANCE, including aggregate MEASURES of financial return and economic value, as appropriate?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES/INDICATORS of marketplace PERFORMANCE, including market share/position, business growth, and new markets entered, as appropriate?

#### **Notes:**

Responses to 7.3a(1) might include aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by

market or customer segment, liquidity, debt to equity ratio, value added per employee, and financial activity measures.

### **7.3 Financial and Market Results**

#### **Purpose**

This Item addresses your organization's financial and market results, with the aim of understanding your marketplace challenges and opportunities.

#### **Requirements**

You are asked to provide levels, trends, and appropriate comparisons for key financial, market, and business indicators. Overall, these results should provide a complete picture of your financial and marketplace success and challenges.

#### **Comments**

Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's performance.

Appropriate financial measures and indicators might include revenue, profits, market position, cash-to-cash cycle time, earnings per share, and returns. Marketplace performance measures might include market share, measures of business growth, new product and geographic markets entered (including exports), entry into e-commerce markets, and the percentage of sales derived from new products.



## 7.4 Human Resource Results (75 pts.)

## Results

Summarize your organization's KEY human resource RESULTS, including WORK SYSTEM PERFORMANCE and employee learning, development, well-being, and satisfaction. Segment your RESULTS to address the diversity of your workforce and the different types and categories of employees, as appropriate. Include appropriate comparative data.

*Provide data and information to answer the following questions:*

### a. Human Resource Results

- (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of WORK SYSTEM PERFORMANCE and effectiveness?
- (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of employee learning and development?
- (3) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of employee well-being, satisfaction, and dissatisfaction?

### Notes:

N1. The results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6, and to your organization's action plans and human resource plans described in Item 2.2.

N2. Appropriate measures and indicators of work system performance and effectiveness (7.4a[1]) might include job and job classification simplification, job rotation, work layout improvement, em-

ployee retention and internal promotion rates, and changing supervisory ratios.

N3. Appropriate measures and indicators of employee learning and development (7.4a[2]) might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates.

N4. For appropriate measures of employee well-being and satisfaction (7.4a[3]), see Item 5.3 Notes.

## 7.4 Human Resource Results

### Purpose

This Item examines your organization's human resource results with the aim of demonstrating how well your organization has been creating and maintaining a positive, productive, learning, and caring work environment for all employees.

### Requirements

You are asked to provide:

- data and information on the performance and effectiveness of your organization's work system; and
- current levels, trends, and appropriate comparisons for key measures and indicators of employee learning, development, well-being, satisfaction, and dissatisfaction.

### Comments

Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision-making. Results reported might include input data, such as extent of training, but the main emphasis should be on data that show effectiveness or outcomes.

Results reported could include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons are appropriate.

Organization-specific factors are those you assess for determining your work system performance and your employees' well-being and satisfaction. These factors might include the extent of training or cross-training, or the extent and success of self-direction.

## 7.5 Organizational Effectiveness Results (75 pts.)

## Results

**Summarize your organization's KEY operational PERFORMANCE RESULTS that contribute to the achievement of organizational effectiveness. Segment your RESULTS by product groups and market segments, as appropriate. Include appropriate comparative data**

*Provide data and information to answer the following questions:*

### a. Organizational Effectiveness Results

- (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY VALUE CREATION PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier/partner PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.
- (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY support PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier and partner PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.
- (3) What are your results for KEY MEASURES or INDICATORS of accomplishment of organizational strategy and ACTION PLANS?

*Notes:*

N1. Results reported in Item 7.5 should address your key operational requirements and progress toward accomplishment of your key organizational performance goals as presented in the Organizational Profile and in Items 1.1, 2.2, 6.1 and 6.2. Include results not reported in Items 7.1 – 7.4.

N2. Results reported in Item 7.5 should provide key information for analysis (Item 4.1) and review of your organizational performance (Item 1.1) and should provide the operational basis for customer focused results (Item 7.1), product and service results (Item 7.2), and financial and market results (Item 7.3).

## 7.5 Organizational Effectiveness Results

### Purpose

This Item examines your organization's other key operational performance results not reported in Items 7.1 – 7.4, with the aim of achieving organizational effectiveness and attaining key organizational goals.

### Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and indicators of operational and strategic performance that lead to your organization's creation of value and the ongoing achievement of results reported in Items 7.1 – 7.4.

### Comments

This Item encourages your organization to develop and include unique and innovative measures to track business development and operational improvement. However, all key areas of business and operational

performance should be evaluated by measures that are relevant and important to your organization.

Measures and indicators of operational effectiveness and efficiency might include reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators such as cycle times, production flexibility, lead times, set-up times, and time to market; business-specific indicators such as innovation rates and increased use of e-technology, product and process yields, six sigma initiative results, and delivery performance to request; supply chain indicators such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; third-party assessment results such as ISO 9000 audits; and indicators of strategic goal achievement.

## 7.6 Governance and Social Responsibility Results (75 pts.)

## Results

Summarize your organization's KEY GOVERNANCE and social responsibility RESULTS, including evidence of fiscal accountability, ethical behavior, legal compliance, and organizational citizenship. Segment your RESULTS by business units, as appropriate. Include appropriate comparative data.

*Provide data and information to answer the following questions:*

### a. Governance and Social Responsibility Results

- (1) What your KEY current findings and TRENDS in KEY MEASURES or INDICATORS of fiscal accountability, both internal and external, as appropriate?
- (2) What are your RESULTS for KEY MEASURES or INDICATORS of ethical behavior and of STAKEHOLDER trust in the GOVERNANCE of your organization?
- (3) What are your RESULTS for KEY MEASURES or INDICATORS of regulatory and legal compliance?
- (4) What are your RESULTS for KEY MEASURES or INDICATORS of organizational citizenship in support of your KEY communities?

*Notes:*

N1. Responses to 7.6a(1) might include financial statement issues and risks, important internal and external auditor recommendations, and management's responses to these matters.

N2. For examples of measures of ethical behavior and stakeholder trust (7.6a[2]), see Note 2 to Item 1.2.

N3. Regulatory and legal compliance results (7.6a[3]) should address requirements described in 1.2a. Organizational citizenship results (7.6a[4]) should address support for the key communities discussed in 1.2c.

## 7.6 Governance and Social Responsibility Results

### Purpose

This Item examines your organization's key results in the area of societal responsibilities, with the aim of maintaining an ethical organization that is a good citizen in its communities.

### Requirements

You are asked to provide data and information on key measures or indicators of organizational accountability, stakeholder trust, and ethical behavior. You also are asked to provide data and information on your organization's regulatory and legal compliance and citizenship.

### Comments

Independent of an increased focus on issues of governance, ethics, and board and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Boards and senior leaders should track relevant performance measures on a regular basis and emphasize this performance in stakeholder communications.

Measures should include environmental and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.

If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.

## GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management. As you may have noted, key terms are more easily identified in this version of the Criteria when they appear in the Categories and Scoring Guidelines sections. In these sections, key terms are presented in SMALL CAPS/TIMES NEW ROMAN to indicate that more information is available in the glossary.

### Action Plans

The term “action plans” refers to specific actions that respond to short- and longer-term strategic objectives. Action plans include details of resource commitments and time horizons for accomplishment. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective, organization-wide understanding and deployment are possible. In the Criteria, deployment of action plans includes creation of aligned measures for work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans likely would entail design of efficient processes and creation of an accounting system that tracks activity-level costs, aligned for the organization as a whole. Performance requirements might include unit and/or team training in setting priorities based upon costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

See the definition of “strategic objectives” on page 54 for the description of this related term.

### Alignment

The term “alignment” refers to consistency of plans, processes, information, resource decisions, actions, results, analysis, and learning to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals and use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See the definition of “integration” on page 51 for the description of this related term.

### Analysis

The term “analysis” refers to an examination of facts and data to provide a basis for effective decisions. Analysis often involves the determination of cause-effect relationships. Overall organizational analysis guides process management toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Actions depend on an understanding of relationships, derived from analysis of facts and data.

### Anecdotal

The term “anecdotal” refers to process information that lacks specific methods, measures, deployment mechanisms, and evaluation/improvement/learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

An anecdotal response to how senior leaders deploy performance expectations might describe a specific occasion when a senior leader visited all company facilities. On the other hand, a systematic approach might describe the communication methods used by all senior leaders to deliver performance expectations on a regular basis, the measures used to assess effectiveness of the methods, and tools and techniques used to evaluate and improve the communication methods.

### Approach

The term “approach” refers to how an organization addresses the Baldrige Criteria Item requirements, i.e., the methods and processes used by the organization. Approaches are evaluated on the basis of the appropriateness of the methods and processes to the Item requirements, the effectiveness of their use, and their alignment with organizational needs. For further description, see the Scoring System on pages 62.

### Basic Requirements

The term “basic requirements” refers to the most central concept of an Item. Basic requirements are the fundamental theme of that Item.

In the Criteria, the basic requirements of each Item are presented as the Item title. This presentation is illustrated in the Item format shown on page 56.

## Benchmarks

The term “benchmarks” refers to processes and results that represent best practices and performance for similar activities, inside or outside an organization’s industry. Organizations engage in benchmarking as a process to understand the current dimensions of world-class performance and to achieve discontinuous (non incremental) or breakthrough improvement.

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors’ performance, and comparisons with similar organizations in the same geographic area.

## Comparisons – Benchmarking and Competitive Comparisons

Benchmarking is the process of systematically comparing and measuring products, services, and processes against “best practices,” “best-in class” achievements, and performance of similar activities, inside or outside the Army or government. At its essence, benchmarking involves systematically looking at proven ways to provide better customer service and adapting these ways to an organization’s operations. It turns the “not-invented-here” philosophy on its head by focusing on the best practices of other organizations.

Competitive Comparisons refer to examining an organization’s current processes against effective processes of other organizations that are competitors in the organization’s markets, or with similar missions or functions in the Army or government. Competitive Comparisons often are less systematic and rigorous than Benchmarking, and without detailed exploration of the differences in underlying methods.

## Customer

The term “customer” refers to actual and potential users of your organization’s products or services. Customers include the end users of your products or services, as well as others who might be the immediate purchasers of your products or services, such as wholesale distributors, agents, or companies that further process your product as a component of their product. The Criteria address customers broadly, in referencing current customers, future customers, as well as customers of your competitors.

Customer-driven excellence is an APIC core value embedded in the beliefs and behaviors of high-performance organizations. Customer focus impacts

and integrates an organization’s strategic directions, its value creation processes, and its business results.

See the definition of “stakeholders” on page 54 for the relationship between customers and others who might be affected by your products or services.

## Cycle Time

The term “cycle time” refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. “Cycle time” refers to all aspects of time performance. Cycle time improvement might include time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time.

## Deployment

The term “deployment” refers to the extent to which an organization’s approach is applied to the requirements of an APIC Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant processes and work units throughout the organization. For further description, see the Scoring System on page 62.

## Effective

The term “effective” refers to how well an approach, a process, or a measure addresses its intended purpose. Determining effectiveness requires the evaluation of how well a need is met by the approach taken, its deployment, or the measure used.

## Empowerment

The term “empowerment” refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the “front line,” where work-related knowledge and understanding reside.

Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to better the organization’s business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

## Goals

The term “goals” refers to a future condition or performance level that one intends to attain. Goals can be both short term and longer term. Goals are ends that guide actions. Quantitative goals, frequently referred to as “targets,” include a numerical point or



range. Targets might be projections based on comparative data and/or competitive data. The term “stretch goals” refers to desired major, discontinuous (non-incremental) or breakthrough improvements, usually in areas most critical to your organization’s future success. Goals can serve many purposes, including

- clarifying strategic objectives and action plans to indicate how success will be measured;
- fostering teamwork by focusing on a common end;
- encouraging “out-of-the-box” thinking to achieve a stretch goal; and
- providing a basis for measuring and accelerating progress

## **Governance**

The term “governance” refers to the system of management and controls exercised in the stewardship of your organization. It includes the responsibilities of your organization’s senior commander and senior leaders, including directors. Regulations and policies document the rights and responsibilities of each of the parties and describe how your organization will be directed and controlled to ensure (1) accountability; (2) transparency of operations; and (3) fair treatment of all stakeholders. Governance processes may include approving strategic direction, monitoring and evaluating senior commander and senior leaders performance, succession planning, financial auditing, establishing executive compensation and benefits, managing risk, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders’ and the larger society’s trust and to organizational effectiveness.

## **High-Performance Work**

The term “high-performance work” refers to work approaches used to systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers and other stakeholders.

Approaches to high-performance work vary in form, function, and incentive systems. Effective approaches frequently include cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other

organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the “front line”; and effective use of performance measures, including comparisons. Many high-performance work systems use monetary and non-monetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high-performance work approaches usually seek to align the organization’s structure, work, jobs, employee development, and incentives.

## **How**

The term “how” refers to the processes that an organization uses to accomplish its mission requirements. In responding to “how” questions in the Approach-Deployment Item requirements, process descriptions should include information such as methods, measures, deployment, and evaluation/improvement/learning factors.

## **Innovation**

The term “innovation” refers to making meaningful change to improve products, services, and/or processes and create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is either new or new to its proposed application.

Successful organizational innovation is a multi-step process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from change, whether through breakthrough improvement or change in approach or outputs.

## **Integration**

The term “integration” refers to the harmonization of plans, processes, information, resource decisions, actions, results, analysis, and learning to support key organization-wide goals. Effective integration is achieved when the individual components of a performance management system operate as a fully interconnected unit.

See the definition of “alignment” on page 49 for the description of this related term.

## **Key**

The term “key” refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The APIC, for

example, refer to key challenges, key plans, key processes, key measures—those that are most important to the organization’s success. They are the essential elements for pursuing or monitoring a desired outcome.

## **Key Stakeholders**

The term “Key Stakeholders” refers to all groups that are or might be affected by an organization’s products, services, and actions. Examples of key stakeholders include your customers, soldiers and civilian employees, higher headquarters, suppliers and partners, the public, and your community.

## **Knowledge Assets**

The term “knowledge assets” refers to the accumulated intellectual resources of your organization. It is the knowledge possessed by your organization and its employees in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Employees, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of an organization’s knowledge assets. Knowledge assets are held not only by an organization but reside within its customers, suppliers, and partners as well.

Knowledge assets are the “know how” that your organization has available to use, to invest, and to grow. Building and managing its knowledge assets are key components for your organization to create value for its stakeholders.

## **Leadership System**

The term “leadership system” refers to how leadership is exercised, formally and informally, throughout the organization—the basis for and the way key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision-making; selection and development of leaders and managers; and reinforcement of values, directions, and performance expectations.

An effective leadership system respects the capabilities and requirements of employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization’s values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organization to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and improve.

## **Levels**

The term “levels” refers to numerical information that places or positions an organization’s results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

## **Measures and Indicators**

The term “measures and indicators” refers to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator (1) when the measurement relates to performance but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction but not a direct measure of it) and (2) when the measurement is a predictor (“leading indicator”) of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

## **Mission**

The term “mission” refers to the overall function of an organization. The mission answers the question, “What is this organization attempting to accomplish?” The mission might define customers or markets served, distinctive competencies, or technologies used.

## **Multiple Requirements**

The term “multiple requirements” refers to the individual questions Criteria users need to answer within each Area to Address. These questions constitute the details of an Item’s requirements. They are presented in black text under each Item’s Area(s) to Address. This presentation is illustrated in the Item format shown on page 56.

## **Organization**

The term “organization” applies to all Army commands, large or small; e.g., Corps of Engineers (Districts and Divisions), Major Command Headquarters, divisions, brigades, battalions, installations, communities, garrisons, units, regions, et. al.

For the Army Communities of Excellence Organization (ACOE) Program, an organization is

defined as the installation/community/garrison that is participating in the ACOE award process.

## **Overall Requirements**

The term “overall requirements” refers to the topics Criteria users need to address when responding to the central theme of an Item. Overall requirements address the most significant features of the Item requirements.

In the Criteria, the overall requirements of each Item are presented as an introductory sentence(s) printed in bold. This presentation is illustrated in the Item format shown on page 56.

## **Performance**

The term “performance” refers to output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in non-financial and financial terms.

The APIC addresses four types of performance: (1) customer-focused, (2) product and service, (3) financial and marketplace, and (4) operational.

“Customer-focused performance” refers to performance relative to measures and indicators of customers’ perceptions, reactions, and behaviors. Examples include customer retention, complaints, and customer survey results.

“Product and service performance” refers to performance relative to measures and indicators of product and service characteristics important to customers. Examples include product reliability, on-time delivery, customer-experienced defect levels, and service response time.

“Financial and marketplace performance” refers to performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

“Operational performance” refers to organizational, human resource, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. Examples include cycle time, productivity, waste reduction, employee turnover, employee cross-training rates, regulatory compliance, fiscal accountability, and community involvement. Operational performance might be measured at the

work unit level, key process level, and organizational level.

## **Performance Excellence**

The term “performance excellence” refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers, contributing to marketplace success; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The APIC provides a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

## **Performance Goal**

Performance goal refers to a target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.

## **Performance Projections**

The term “performance projections” refers to estimates of future performance or goals for future results. Projections may be inferred from past performance, may be based on competitors’ performance, or may be predicted based on changes in a dynamic marketplace. Projections integrate estimates of your organization’s rate of improvement and change, and they may be used to indicate where breakthrough improvement or change is needed. Thus, performance projections serve as a key planning management tool.

## **Process**

The term “process” refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way, i.e., to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help



customers understand and follow the sequence. Service processes involving customers also require guidance to the providers of those services on handling contingencies related to customers' likely or possible actions or behaviors.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

## **Productivity**

The term “productivity” refers to measures of the efficiency of resource use.

Although the term often is applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

## **Purpose**

The term “purpose” refers to the fundamental reason that an organization exists. The primary role of purpose is to inspire an organization and guide its setting of values. Purpose is generally broad and enduring. Two organizations in different businesses could have similar purposes, and two organizations in the same business could have different purposes.

## **Results**

The term “results” refers to outputs and outcomes achieved by an organization in addressing the purposes of an APIC Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the Scoring System on page 62.

## **Senior Leaders**

The term “senior leaders” refers to an organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

## **Stakeholders**

The term “stakeholders” refers to all groups that are or might be affected by an organization's actions and success. Examples of key stakeholders include customers, employees, partners, and local/professional communities.

See the definition of “customer” on page 50 for the definition of this related term.

## **Strategic Challenges**

The term “strategic challenges” refers to those pressures that exert a decisive influence on an organization's likelihood of future success. These challenges frequently are driven by an organization's future competitive position relative to other providers of similar products or services. While not exclusively so, strategic challenges generally are externally driven. However, in responding to externally driven strategic challenges, an organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations; product, service, or technological changes; or financial, societal, and other risks. Internal strategic challenges may relate to an organization's capabilities or its human and other resources.

See the definition of “strategic objectives” for the relationship between strategic challenges and the strategic objectives an organization articulates to address key challenges.

## **Strategic Objectives**

The term “strategic objectives” refers to an organization's articulated aims or responses to address major change or improvement, competitiveness issues, and/or business advantages. Strategic objectives generally are focused externally and relate to significant customer, market, product, service, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of “action plans” on page 49 for the relationship between strategic objectives and action plans and for an example of each.

## **Systematic**

The term “systematic” refers to approaches that are repeatable and use data and information so that improvement and learning are possible. In other

words, approaches are systematic if they build in the opportunity for evaluation and learning and thereby permit a gain in maturity. For use of the term, see the Scoring Guidelines on page 62.

## **Trends**

The term “trends” refers to numerical information that shows the direction and rate of change for an organization’s results. Trends provide a time sequence of organizational performance.

A minimum of three data points generally is needed to begin to ascertain a trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods before a meaningful trend can be determined.

Examples of trends called for by the Criteria include data related to customer and employee satisfaction and dissatisfaction results, product and service performance, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

## **Value**

The term “value” refers to the perceived worth of a product, service, process, asset, or function relative to cost and relative to possible alternatives.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations need to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

## **Value Creation**

The term “value creation” refers to processes that produce benefit for your customers and for your business. They are the processes most important to “running your business”—those that involve the majority of your employees and generate your products, your services, and positive business results for your key stakeholders.

## **Values**

The term “values” refers to the guiding principles and/or behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired culture of the organization. Values support and guide the decision making of

every employee, helping the organization to accomplish its mission and attain its vision in an appropriate manner.

## **Vision**

The term “vision” refers to the desired future state of your organization. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived.

## **Work Systems**

The term “work systems” refers to how your employees are organized into formal or informal units to accomplish your mission and your strategic objectives; how job responsibilities are managed; and your processes for compensation, employee performance management, recognition, communication, hiring, and succession planning. Organizations design work systems to align their components to enable and encourage all employees to contribute effectively and to the best of their ability.

## PREPARING THE SELF ASSESSMENT - 2003 CRITERIA RESPONSE GUIDELINES

The guidelines given in this section are offered to assist APIC users in responding most effectively to the requirements of the 19 Criteria Items. The guidelines are presented in three parts:

- (1) General Guidelines regarding the APIC including how the Items are formatted.
- (2) Guidelines for Responding to Approach-Deployment Items.
- (3) Guidelines for Responding to Results Items.

### General Guidelines

#### I. Read the entire APIC booklet:

The main sections of the APIC provide an overall orientation to the Criteria, including how responses are to be evaluated for self-assessment or award examiners. You should become thoroughly familiar with the following sections:

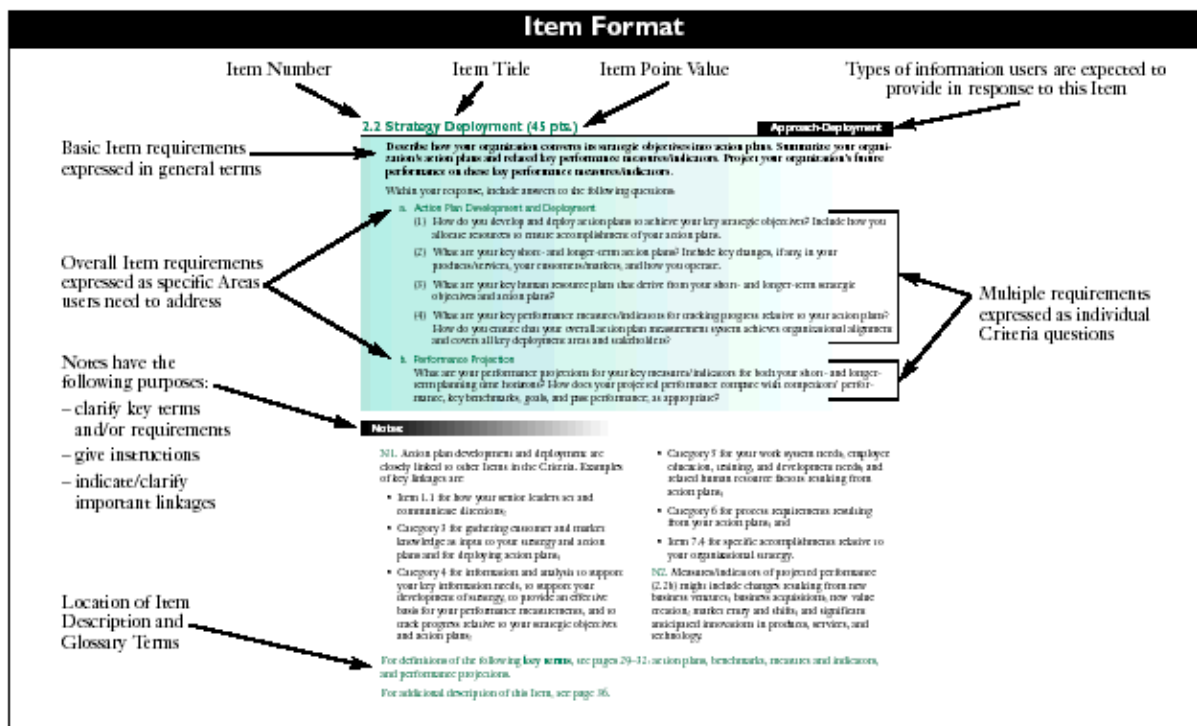
- Criteria for Performance Excellence and Category and Item Descriptions (pages 14-48)
- Scoring information (page 62).
- Glossary of Key Terms (pages 49-55)

#### 2. Review the Item Format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the role of each part, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. Each Item and Area to Address is described in greater detail directly following the Areas to Address.

Each Item is classified either **Approach-Deployment** or **Results**, depending on the type of information required. Guidelines for responding to Approach-Deployment Items are given on pages 57. Guidelines for responding to Results Items are given on page 58.

Item requirements are presented in question format. Some Areas to Address include multiple questions. Responses should contain answers to all questions; however, each question need not be answered separately. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization. These multiple questions serve as a guide in understanding the full meaning of the information being requested.



### 3. Start by preparing the Organizational Profile.

The Organizational Profile is the most appropriate starting point for initiating a self-assessment or for writing an application. The Organizational Profile is intended to help everyone—including organizations using the Criteria for self-assessment, application writers, and reviewers—to understand what is most relevant and important to your organization's business and to its performance. The questions to address in responding to the Organizational Profile are on pages 11-13.

### Guidelines for Responding to Approach/Deployment Items

Although the Criteria focuses on key performance results, these results by themselves offer little *diagnostic* value. For example, if some results are poor in some areas or improving at rates slower than your competitors', it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of the Approach/Deployment Items is to permit diagnosis of your organization's most important processes—the ones that yield fast-paced organizational performance improvement and contribute to key business results. Diagnosis and feedback depend heavily upon the content and completeness of Approach-Deployment Item responses. For this reason, it is important to respond to these Items by providing your key process information. Guidelines for organizing such information follow.

#### 1. Understand the meaning of "how."

Approach-Deployment Items include questions that begin with the word "how." *Responses should outline your key process information, such as methods, measures, deployment, and evaluation/improvement/learning factors.* Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as "anecdotal information."

#### 2. Understand the meaning of "what."

Two types of questions in Approach-Deployment Items begin with the word "what." The first type of question requests basic information on key processes and how they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. The second type of question requests information on *what* your key findings, plans, objectives, goals, or measures are. These questions set the context for showing alignment

in your performance management system. For example, when you identify key strategic objectives, your action plans, human resource development plans, some of your results measures, and results reported in Category 7 should be expected to relate to the stated strategic objectives.

### 3. Write and review response(s) with the following guidelines and comments in mind.

- Show that activities are *systematic*.

Approaches that are systematic are repeatable and use data and information so that improvement and learning are possible. In other words, approaches are systematic if they build in the opportunity for evaluation and learning and thereby permit a gain in maturity. *Examples or anecdotal accounts are considered insufficient responses.*

- Show deployment.

Deployment information should summarize what is done in different parts of your organization. Deployment can be shown compactly by using tables.

- Show focus and consistency.

There are four important factors to consider regarding focus and consistency: (1) the Organization Profile should make it clear what is important; (2) the Strategic Planning Category, including strategic objectives and action plans, should highlight the areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organization-level analysis and review (Item 4.1 and 1.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight processes that are key to overall performance. *Showing focus and consistency in the Approach-Deployment Items and tracking corresponding measures in the Results Items should improve business performance.*

- **Respond fully to Item requirements.** Missing information will be interpreted as a gap in approach and/or deployment. All areas to Address should be addressed. Individual components of an Area may be addressed individually or together.

#### 4. Cross-reference when appropriate.

As much as possible, each Item should be self-contained. However, responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses rather

than to repeat information. In such cases, key process information should be given in the Item requesting the information. For example, employee education and training should be described in detail in Item 5.2. Discussions about education and training elsewhere in your application would then reference but not repeat details given in your Item 5.2 response.

#### 5. Use a compact format.

Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flow-charts, tables, and “bullets” to present information concisely.

#### 6. Refer to the Scoring Guidelines.

Considerations in the evaluation of Item responses include the Criteria Item requirements and the maturity of the approaches; breadth of deployment; alignment and integration with other elements of your performance management system; and strength of the improvement process relative to the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines.

### Guidelines for Responding to Results Items

The Criteria places the greatest emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

#### 1. Focus on the most critical business results.

Results reported should cover the most important requirements for your business success, highlighted in your Organizational Profile and in the Strategic Planning and Process Management Categories.

#### 2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data:

- *Trends* to show directions of results and rates of change;
- *Performance* levels on a meaningful measurement scale;
- *Comparisons* to show how results compare with those of other, appropriately selected organizations; and
- *Breadth and importance of results* to show that all important results are included and segmented, e.g., by important customer, employee, process, and product line groups.

#### 3. Include trend data covering actual periods for tracking trends.

No minimum period of time is specified for trend data. Trends might span five years or more for some results. For important results, new data should be included even if trends and comparisons are not yet well established.

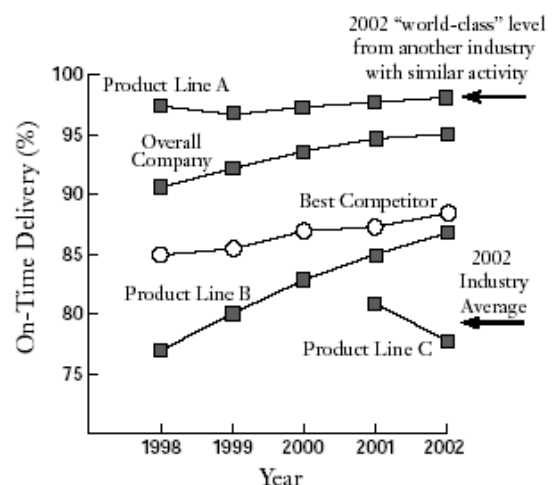
#### 4. Use a compact format—graphs and tables.

Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be “normalized,” i.e., presented in such a way (such as the use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays if the number of employees has varied over the time period or if you are comparing your results to organizations differing in size.

#### 5. Integrate results into the body of the text.

Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.2 would be Figure 7.2-3 (see the example in the figure that follows.)

Figure 7.2-3 On-Time Delivery Performance.



The above graph illustrates data an organization might present as part of a response to Item 7.2, Product and Service Results. In the Organizational Profile, the organization has indicated on-time delivery as a key customer requirement.

Using the same graph above, the following characteristics of clear and effective data reporting are illustrated:

- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key customer requirement —on-time delivery.
- Results are presented for several years.
- Appropriate comparisons are clearly shown.
- The company shows, using a single graph, that its three divisions separately track on-time delivery.

To help interpret the Scoring Guidelines (page 62), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with industry competitors and with a “world-class” level.
- The company shows excellent improvement trends.

- Product Line A is the current performance leader—showing sustained high performance and a slightly positive trend. Product Line B shows rapid improvement. Its delivery schedule is near that of the best industry competitor but trails the “world-class” level.
- Product Line C—a new product—is having early problems with on-time delivery. (The organization briefly should explain these early problems.)

## **6. Refer to the Scoring Guidelines**

Considerations in the evaluation of Item responses include the Criteria Item requirements and the maturity of the results trends, actual performance levels, relevant comparative data, and alignment with important elements of the performance management system, and strength of the improvement process relative to the Scoring Guidelines. Therefore you need to consider both the Criteria and the Scoring Guidelines.

### **Page Limit**

An APIC self-assessment has no page limit. If an organization is using the APIC to submit an application for an Army-level award such as the ACOE, please refer to specific program guidance provided by the proponent.



## SCORING SYSTEM

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on three evaluation dimensions: (1) APPROACH, (2) DEPLOYMENT, and (3) RESULTS. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on page 62.

### Approach

“APPROACH” refers to how you address the Item requirements—the *method(s)* used. The factors used to evaluate APPROACHES include

- the appropriateness of the methods to the requirements
- the effectiveness of use of the methods and the degree to which the APPROACH
  - is repeatable, integrated, and consistently applied
  - embodies evaluation/improvement/learning cycles
  - is based on reliable information and data
- ALIGNMENT with your organizational needs
- Evidence of beneficial INNOVATION and change

### Deployment

“DEPLOYMENT” refers to the *extent* to which your APPROACH is applied. The factors used to evaluate DEPLOYMENT include

- use of the APPROACH in addressing Item requirements relevant and important to your organization
- use of the APPROACH by all appropriate work units

### Results

“RESULTS” refers to *outcomes* in achieving the PURPOSES given in Items 7.1–7.6. The factors used to evaluate RESULTS include

- your current PERFORMANCE
- your PERFORMANCE relative to appropriate comparisons and/or BENCHMARKS
- rate and breadth of your PERFORMANCE improvements
- linkage of your RESULTS MEASURES to important CUSTOMER, product and service, market, PROCESS, and ACTION PLAN

PERFORMANCE requirements identified in your Organizational Profile and in APPROACH-DEPLOYMENT Items

## Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the three evaluation dimensions given above. The two types of Items and their designations are

1. **APPROACH-DEPLOYMENT**
2. **RESULTS**

APPROACH and DEPLOYMENT are linked to emphasize that descriptions of APPROACH should always indicate the DEPLOYMENT—consistent with the *specific requirements* of the Item. Although APPROACH and DEPLOYMENT dimensions are linked, feedback to Award applicants reflects strengths and/or opportunities for improvement in either or both dimensions. RESULTS Items call for data showing PERFORMANCE LEVELS, relevant comparative data, and improvement TRENDS for KEY MEASURES AND INDICATORS of organizational PERFORMANCE.

RESULTS Items also call for data on breadth of PERFORMANCE improvements, i.e., on how widespread your improvement RESULTS are. This is directly related to the DEPLOYMENT dimension; if improvement PROCESSES are widely deployed, there should be corresponding RESULTS. A score for a RESULTS Item is thus a composite based upon overall PERFORMANCE, taking into account the rate and breadth of improvements and their importance. (See next paragraph.)

## “Importance” as a Scoring Factor

The three evaluation dimensions described previously are critical to evaluation and feedback. However, another critical consideration in evaluation and feedback is the importance of your reported APPROACH, DEPLOYMENT, and RESULTS to your KEY business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.1, 5.1, and 6.1. Your KEY CUSTOMER requirements, competitive

environment, KEY STRATEGIC OBJECTIVES, and ACTIONPLANS are particularly important.

### Assignment of Scores to Your Responses

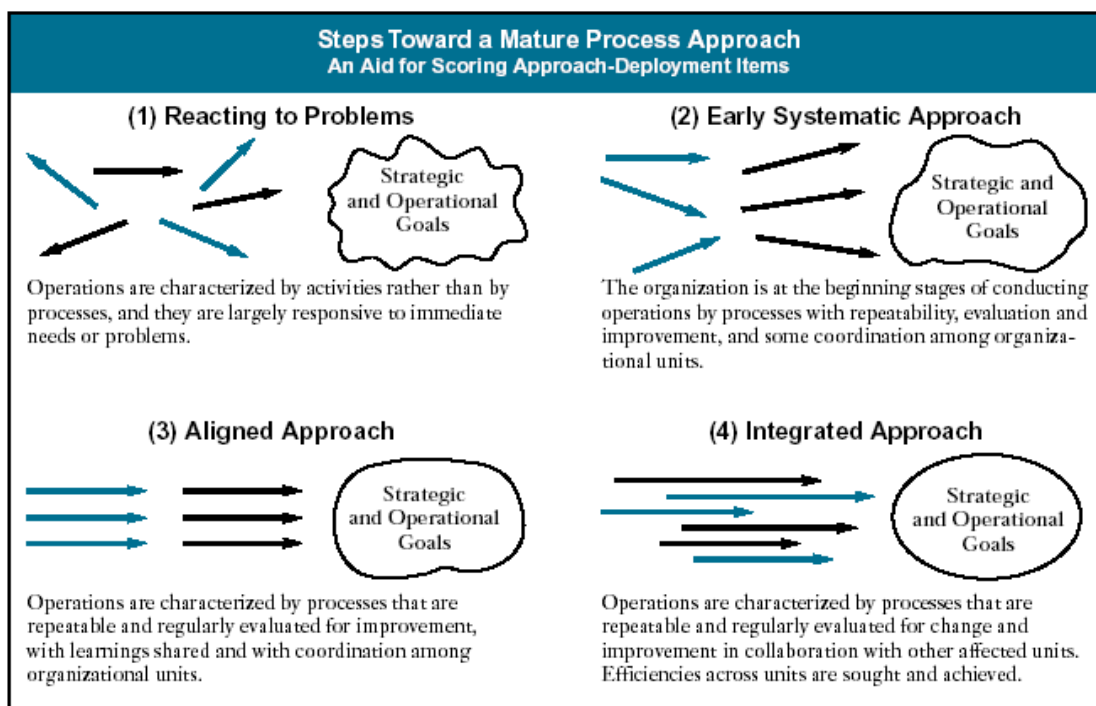
The following guidelines should be observed in assigning scores to your Item responses:

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to your organization.
- In assigning a score to an Item, first decide which scoring range (e.g., 50 percent to 60 percent) best fits the overall Item response. Overall “best fit” does not require total agreement with each of the statements for that scoring range. Assigning the actual score *within* the range requires evaluating whether the Item

response is closer to the statements in the next higher or next lower scoring range.

- An APPROACH-DEPLOYMENT Item score of 50 percent represents an APPROACH that meets the overall objectives of the Item and that is deployed to the principal PROCESSES and work units covered in the Item. Higher scores reflect maturity (organizational learning), INTEGRATION, and broader DEPLOYMENT.

A RESULTS Item score of 50 percent represents a clear indication of improvement TRENDS and/or good LEVELS of PERFORMANCE in the principal RESULTS areas covered in the Item. Higher scores reflect better improvement rates and/or LEVELS of PERFORMANCE, better comparative PERFORMANCE, and broader coverage and INTEGRATION with business requirements.





## SCORING GUIDELINES

For Use With Categories 1-6

SCORE	Approach-Deployment
0%	<ul style="list-style-type: none"> <li>No SYSTEMATIC APPROACH is evident; information is ANECDOTAL.</li> </ul>
10% to 20%	<ul style="list-style-type: none"> <li>The beginning of a SYSTEMATIC APPROACH to the BASIC REQUIREMENTS of the Item is evident.</li> <li>Major gaps exist in DEPLOYMENT that would inhibit progress in achieving the BASIC REQUIREMENTS of the Item.</li> <li>Early stages of a transition from reacting to problems to a general improvement orientation are evident.</li> </ul>
30% to 40%	<ul style="list-style-type: none"> <li>An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC REQUIREMENTS of the Item, is evident.</li> <li>The APPROACH is deployed, although some areas or work units are in early stages of DEPLOYMENT.</li> <li>The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident.</li> </ul>
50% to 60%	<ul style="list-style-type: none"> <li>An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL REQUIREMENTS of the Item and your KEY organizational requirements is evident.</li> <li>The APPROACH is well deployed, although DEPLOYMENT may vary in some areas or work units.</li> <li>A fact-based, SYSTEMATIC evaluation and improvement PROCESS is in place for improving the efficiency and effectiveness of KEY PROCESSES.</li> <li>The APPROACH is aligned with basic organizational needs identified in the other Criteria Categories.</li> </ul>
70% to 80%	<ul style="list-style-type: none"> <li>An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE REQUIREMENTS of the Item and your current and changing ORGANIZATION needs, is evident.</li> <li>The APPROACH is well deployed, with no significant gaps.</li> <li>A fact-based, SYSTEMATIC evaluation and improvement PROCESS and organizational learning/sharing are KEY management tools; there is clear evidence of refinement, INNOVATION, and improved INTEGRATION as a result of organizational-level ANALYSIS and sharing.</li> <li>The APPROACH is well integrated with your organizational needs identified in the other Criteria Categories.</li> </ul>
90% to 100%	<ul style="list-style-type: none"> <li>An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to all the requirements of the Item and all of your current and changing business needs, is evident.</li> <li>The APPROACH is fully deployed without significant weaknesses or gaps in any areas or work units</li> <li>A very strong, fact-based, SYSTEMATIC evaluation and improvement PROCESS and extensive organizational learning/sharing are KEY management tools; strong refinement, INNOVATION, and INTEGRATION, backed by excellent organizational-level ANALYSIS and sharing, are evident.</li> <li>The APPROACH is fully integrated with your organizational needs identified in the other Criteria Categories.</li> </ul>

For Use With Category 7

SCORE	Results
0%	<ul style="list-style-type: none"> <li>There are no business RESULTS or poor RESULTS in areas reported</li> </ul>
10% to 20%	<ul style="list-style-type: none"> <li>There are some improvements <i>and/or</i> early good PERFORMANCE LEVELS in a few areas.</li> <li>RESULTS are not reported for many to most areas of importance to the key organizational requirements.</li> </ul>
30% to 40%	<ul style="list-style-type: none"> <li>Improvements <i>and/or</i> good PERFORMANCE LEVELS are reported in many areas of importance to your key organizational requirements.</li> <li>Early stages of developing TRENDS and obtaining comparative information are evident.</li> <li>RESULTS are reported for many to most areas of importance to your KEY organizational requirements.</li> </ul>
50% to 60%	<ul style="list-style-type: none"> <li>Improvement trends <i>and/or</i> good PERFORMANCE LEVELS are reported for most areas of importance to your KEY organizational requirements.</li> <li>No pattern of adverse TRENDS and no poor PERFORMANCE LEVELS are evident in areas of importance to your KEY organizational requirements.</li> <li>Some TRENDS <i>and/or</i> current PERFORMANCE LEVELS — evaluated against relevant comparisons <i>and/or</i> BENCHMARKS — show areas of strength <i>and/or</i> good to very good relative PERFORMANCE LEVELS.</li> <li>Business RESULTS address most KEY CUSTOMER, market, and PROCESS requirements.</li> </ul>
70% to 80%	<ul style="list-style-type: none"> <li>Current PERFORMANCE is good to excellent in areas of importance to your KEY business requirements.</li> <li>Most improvement TRENDS <i>and/or</i> current PERFORMANCE LEVELS are sustained.</li> <li>Many to most TRENDS <i>and/or</i> current PERFORMANCE LEVELS — evaluated against relevant comparisons <i>and/or</i> BENCHMARKS — show areas of leadership and very good relative PERFORMANCE LEVELS.</li> <li>Business RESULTS address most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.</li> </ul>
90% to 100%	<ul style="list-style-type: none"> <li>Current PERFORMANCE is excellent in most areas of importance to your KEY ORGANIZATION requirements.</li> <li>Excellent improvement TRENDS <i>and/or</i> sustained excellent PERFORMANCE LEVELS are reported in most areas.</li> <li>Evidence of industry and BENCHMARK leadership demonstrated in many areas.</li> <li>Business results fully address KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements</li> </ul>

There will be an update of this booklet which will include:

- Examples for each Category
- Appendix for Army Community of Excellence (ACOE) Specific Information
- Appendix for Assessment Toolkit
- Appendix for Cliffnotes for Leaders

Please check on our website for updates at:

<http://www.hqda.army.mil/leadingchange>